

**MINUTES OF THE REGULAR MEETING OF THE  
WASHINGTON STATE TRANSPORTATION COMMISSION  
July 15 & 16, 2008**

The regular meeting of the Washington State Transportation Commission was called to order at 9 A.M., on July 15, 2008, in Room 1D2 of the Transportation Building in Olympia, Washington.

Commissioners present at the meeting were: Chair O'Neal, Bob Distler, Dick Ford, Elmira Forner (participated via conference call), Carol Moser, Philip Parker and Dale Stedman.

**MINUTES APPROVAL**

*It was moved by Commissioner Ford and seconded by Commissioner Parker to approve the meeting minutes of the May 20, 2008, Tacoma Narrows Bridge Toll rate proposal hearing; the May 21 & 22, 2008, regular meeting and the May 27, 2008, verbatim minutes of the Tacoma Narrows Bridge Toll rate hearing. The motion passed unanimously.*

**OVERVIEW OF FINAL AUDIT REPORTS – DEPARTMENT OF  
TRANSPORTATION AUDITS (ESSB 6839)**

**Audit Report transcription is verbatim.**

**Linda Long** - Good morning Chair O'Neal and members of the Commission-esteemed members of the Commission. My name is Linda Long and I'm Director of Performance Audits for Brian Sonntag. Unfortunately he was not able to be here today. In the audience I also have Christopher Cortines who is the Director, Deputy Director of Performance Audits who oversaw all four engagements that were done under Senate Bill 6839. In addition I have today Ms. Harriet Richardson, if you will stand Harriet. Harriet is the new Deputy in charge of Transportation Audits. Chris is going to be devoting his attention in the local government arena on behalf of our Performance Audit Program. We also are very very pleased to report today that we have many of the contractors and subcontractors that actually did the engagements under 6839, so they will be available here today to answer any questions you might have.

**Chair O'Neal** - I might say that Bill Ford and Steve Mckerney of the Department of Transportation that are listed here will present separately –right-okay.

**Ms. Long** – Correct. By way of brief overview--Engrossed Substitute Senate Bill 6839 was enacted in the 2006 Legislative session in the closing hours of that particular session. It directed the State Auditors Office to contract for performance audits of transportation related agencies. The Legislature also provided a \$4 million funding package to accomplish these audits. In planning the portfolio of transportation performance audits we asked citizens where we should concentrate our efforts. Our goal was to invest in audits that would provide a high rate of return for the taxpayers of Washington. Citizens told us that the performance audits should focus on congestion, their number one concern, followed by performance audits of administrative costs, construction management practices and the state's ferry system. This feedback, as well as our own research led us to four transportation performance audits:

The ferries division of the Department of Transportation, managing and reducing Puget Sound Congestion, DOT administration and overhead and the final audit was the DOT highway maintenance and construction management audit. The audit's identified \$27 dollars in savings for ever one dollar spent on the actual audit cost. With that Mr. Cortines will provide a more in depth look at the four audits.

**Mr. Cortines** – Okay, again with me I have Harriet Richardson a Deputy Director of the Performance Director of the Performance Audit Program. I want to thank the Commission for allowing us the opportunity to speak this morning. Before we get started I want to ask one question of clarification – will the Q & A section follow DOT's presentation or will we be asking questions during the State Auditors presentation?

**Chair O'Neal** – Well I doubt that...I could possibly restrain the members of the Commission from asking questions during your presentation, so if you don't mind we would like you to go forward as much as you can, but be ready for questions.

**Mr. Cortines** – You've got it thank you Mr. Chairman!

As Linda indicated these four audits were conducted under ESSB 6839. They were co-funded. We did have a citizen in the audience that asked about the interplay between these audits and I-900. Approximately \$2.5 million going off memory was paid for with 6839 funds, the difference was paid for with I-900 funds, these audits were co-funded. The selection of the audits were the Washington State Ferries, managing and reducing congestion in the Puget Sound area, administrative and overhead operations at DOT and looking at highway maintenance and construction. As shown on the following slide these topics were based in large part on citizen outreach efforts. Those outreach efforts indicated the following: and I don't want to go over the details in particular I will let you glance through them, but in large part each of the four audits did relate to a citizen outreach that we had preformed and the interest that the citizens had.

**Commissioner Distler** – Is this a scientific sample, or a....those people who choose to respond sample?

**Mr. Cortines** – We characterized it as scientific, it was done by Stu Elway, who does take a statistical sampling approach. We do not have Stu here today to indicate more.

**Chair O'Neal** – I want to clarify, so that was the result of an Elway poll?

**Mr. Cortines** – It was actually the result of, I believe, it was five different locations throughout the State of Washington.

**Chair O'Neal** – Town Hall meetings – okay. Conducted by Stu Elway.

**Mr. Cortines** – So, each of those town hall meetings had the same questions asked and then the feedback was tallied and measured and then brought into these statistics.

**Commissioner Distler** – Yeah but Mr. Cortines the purpose of my question was to find out how the invitees to the town hall meetings were selected or was there a meeting posted and those who chose to come came.

**Mr. Cortines** – My understanding is that it is a combination of random selection coupled with consideration about demographics and trying to get a good cross cut. And again that is

about as deep as I can go, however, we do have much of Elway's work on our website. That work includes a methodology and we can provide that website link to Reema after the hearing.

**Chair O'Neal** – Thank you...go ahead.

**Mr. Cortines** – The summary – we presented for the Washington State Ferries \$50 million dollars in savings, we will talk about that as we get into that slide. The congestion audit was really about the economic impacts related to congestion and how reductions of congestion would correspond with economic benefits. The department of overhead audit we identified at least \$18.1 million in potential savings and on the Department of Transportation's highway maintenance and construction management \$41.9 million dollars. We are going to talk about those dollars as we move into the following slides. On the ferries audit key findings and recommendations focused on – there were inadequate numbers of managers to supervise staff. We identified a significant amount savings related to overtime and indirect charges at the main maintenance facility – there were recommendations for standardizing business practices and also the final finding where the bulk of those savings were identified in consolidating what we call a low occupancy runs where we had four runs and they could be consolidated to three with plenty of room...that was the gist of the final finding in the bulk of the savings.

**Commissioner Stedman** – Could you interpret the work "potential?" What it included in the potential savings of \$50.2 million over five years.

**Mr. Cortines** – The savings were largely in two areas – in the maintenance facility we focused on Eagle Harbor in particular. There was discussion on...largely there was one shift, but the work was being spread out beyond that seven to three shift. That second shift was predominately overtime paid. The recommendation related to the Eagle Harbor maintenance facility...was if DOT broke that work into two shifts both being paid straight time a significant amount of overtime would be reduced. The indirect charges would be anything that was not directly charged to boat maintenance or boat repair. We did look at periods of time where the indirect cost were quite a bit lower and the recommendations was really...try to get your indirect charges to mirror your own best performance throughout the year. On the condensing of the ferry routes there was two basis of calculations – one focused on the fuel savings – if you run boats over the water four times you spend more money on fuel. There was also a second calculation that looked at the potential of condensing the schedules at the terminals and that focused on a labor cost component. I do want to point out, at the time of the audit the fuel was probably two bucks less than it is today and those savings are probably understated accordingly. We do have the contractor here who did that work if you would like me to bring him up now.

**Chair O'Neal** – We are focused right now on the issue of consolidating or reducing service basically is what you are talking about.

**Mr. Cortines** – Correct.

**Commissioner Ford** – Dan if I could I think it might be...as I'm sure you know we are charged with doing a ferry funding study and we have been talking to ferry users. Seems like on a constant basis we've had a lot of meetings with them. The issue of...I'd like some in depth explanation perhaps with some example of the consolidation of runs or elimination of runs if you will, because I can tell you, at least in the meetings that I've attended with the

users they would have probably thrown chairs at you if you said you were going to cut out their mid-day run. I'd be happy to take both the consultant and somebody from the Auditors Office to the next meeting and let them put it on the table. Tell us, what specific runs did you suggest might be consolidated, because this can't be done in the abstract. We have to have...

**Mr. Cortines** – Let me make one entry comment and then I'm going to turn it over to David Amble who was a subcontractor on that audit. One of the things that we did look at – when Elway did the polling statewide...throughout the state there was a desire for the ferries to be self sufficient or more so, so we conducted the audit with kind of that citizen attitude. Now we recognize – depending on where you live in the state, that attitude differs, but with that said let me turn it over to David.

**Commissioner Distler** – Excuse me, you need to tell me what the word self sufficient means in your statement.

**Mr. Cortines** – Self sufficient is the concept that user fees pay a larger proportion of both operating costs and potentially the capital cost.

**Commissioner Distler** – Really!

**Mr. Cortines** – Again, these are results that come out of Stu Elway's surveys. The State Auditors Office is not necessarily here to say that those citizens are incorrect in their viewpoints, but it did tailor how we approached the audit and with that said let me turn it over to David Amble.

**Chair O'Neal** – Just to be clear, what you heard the citizens saying statewide was that fares or fees should pick up a higher proportion of the cost of operating as well as the cost of building ferries. Is that....

**Mr. Cortines** – Or that the ferries should be less subsidized by transportation funds.

**Chair O'Neal** – Either way...same thing.

**Mr. Cortines** – Please recognize that we are the messenger.

**Chair O'Neal** – No, I understand, we are not going to attack the messenger....not too much here, but I just want to be very clear that you are saying that's what the polls show, because the reason I raise that is that we have attended a number of meetings with ferry users and of course their view is I would say 180 degrees the other way, so just so we know you have that perspective, not that it's necessarily going to effect what you've already done, but that's part of...you know this picture is very complex.

**Mr. Cortines** – We are aware that the perspective you describe does exist.

**Chair O'Neal** – Alright – lets listen Bob to what he says here.

**David Amble, Amble Consulting** – First let's step back and ask the exact...you want to know the methodology or which ones I selected....

**Commissioner Ford** – Yes...I'd like, because you can't do this in the abstract. You have to say it's our recommendation that in mid-day instead of a 30 minutes run to Bainbridge we are going to cut it to an hour run and lay up one of the vessels, for example...I'm using that as an example.

**Mr. Amble** – And that's basically our methodology. We looked at the sampling of the runs for the seasonal level each route. We also looked at the volumes on each of those runs from the traffic surveys that they had – from the traffic survey data that the WSF had. We looked at the costs of operating, not an individual run, but we looked at the cost of operating the system and then brought it back down to what does it cost to run that route on an hourly basis or a by route basis, by vessel type as well. So, when we look at that and then we say okay given that you have three or four runs over a certain period of time with a certain volume level where there's significant capacity available to run instead of four vessels or four runs you could run three and not have a significant impact on the overall capacity of that vessel. Meaning there wouldn't be a significant wait time increase at the dock for either vehicle traffic or for people. We would recommend that instead of using four we would have three, or we would say if there are three runs over a certain period of time and we could go to two without a significant increase in capacity constraint on that route then we could identify not specific...the 6-10 run wouldn't be cancelled, we would say is maybe what you should do is reschedule your route to have instead of 5:30, 6 and 6:30 you have a 5:45 and then 6:15 run. We didn't get into specifics as to how they should run their system, we said specific on a schedule basis, we said you should look at what you're doing in terms in how much you are spending to run your vessels with the schedule you have and the volumes of traffic you have, and rationalize your services to meet the cost structure that you've got in place.

**Chair O'Neal** – Is that example you're giving close to where you would be – I mean would you actually cut out runs during the peak period use of the ferry.

**Mr. Cortines** – I was using those times as an example not as a specific point.

**Commissioner Ford** – I guess...and maybe this is a proper question to the auditor. Is this particular recommendation spelled out in some detail in audit report?

**Mr. Cortines** – It is...

**Commissioner Ford** – Okay – we can get that, alright that's fine.

**Chair O'Neal** – Does it identify actual ferry routes that would be reduced?

**Mr. Cortines** – It does....again as David indicated it does not specify...keep these at the exact times or feather them out at these times, it leaves that at the discretion of the Washington State Department Transportation and its Ferries Division, but it does indicate which routes those opportunities exist, where they exist.

**Chair O'Neal** – I think it's sort of generally understood that money would be saved if you cut service.

That's easy to say, it's another thing to actually do it. Bob you got another question?

**Commissioner Distler** – On a ferry network that does not recover all of its costs – operating costs, isn't it fair to say that any run that was deleted assuming the traffic was retained on other runs would save money?

**Mr. Cortines** – That's a good point, but I'm going to make a comment then I'm going to turn it over to David. I think a key part of the report is that there is excess capacity in the ferry system, and that excess capacity has a cost. And if that capacity was constricted there would be a significant savings, so it's not just cut routes its look at where that capacity is greater than the need and reduce it accordingly. Now that does have some service effects, one being the times that I can get on the ferry are altered and I may have to wait 15 minutes up or down, or arrive at the ferry at a different time. David would you like to comment further?

**Mr. Amble** – I think you've said it...I think that there is obviously some impacts that occur to the public whenever you go and make changes such as a ferry schedule. The constraint on our audit wasn't to say well what impact is this going to have on the traveling public. It was more of what is the cost structure involved here and where can improvements be made from a ...perspective.

**Chair O'Neal** – You looked at it strictly from a cost basis, kind of like an MBA sitting in New York City would look at the structure and decide that you don't have much ridership during..on the 11:30 route ferry and you don't have much on the 2:30, so let's get rid of them, that kind of thing.

**Mr. Amble** – Again, I don't think I would be specific about specific times; I'd say when financial constraints are impacting the system, whether it's a public operation or a private you need to start thinking about rationalizing your cost structure, and our look at it was purely from that perspective.

**Chair O'Neal** – I think that's a fair statement! You looked at it strictly from a cost basis; you didn't look at it from a standpoint of how it might impact the traveling public....cause that's....

**Mr. Amble** – Let me just clarify, what we did do is when we did say is here's some opportunities and that's where the idea of potential savings occurs, is there's some opportunities for reducing the level of service without impacting the overall wait times to a significant extent.

**Chair O'Neal** – The overall wait times, but the terms you are using are somewhat subjective because when you say public need or it depends on who you are. The Mayor of Bremerton has a little different view of this I think then maybe you do.

**Mr. Amble** – I'm sure the Mayor of Bremerton and anybody who lives on the west side of the sound would have a different opinion, as we've noticed you have different survey groups say different things. I think if you asked the people on the east side of the sound – on the east side of Seattle about wait times, they would say there's not a very predictable nature as to how long it's going to take for me to get from Renton to Bellevue or from Bellevue to Seattle on the 520 because of the various chaos theory – I don't want to say chaos theory, but the chaos theory of how you get from point A to point B is there and fortunately the ferry system

has had a very regimented schedule that people have been gotten used to and maybe all were doing is saying – you know were not saying that you are not going to have a 5:30 run, but you're probably going to have a 5:45 instead.

**Chair O'Neal** – Well I think that it's good to have a perspective from citizen's who are not ferry riders. I just want to make sure that others like Commissioner Parker and Carol have an opportunity to ask questions if you want, so please jump in here if you want to. Did you had another question.

**Commissioner Ford** – Well, I think we should move on, I think this is...this could be grist in our mill on the ferry funding, because the fact is one of the first questions many people ask is where can we save dollars, because it's an expensive system. I think it is important to clarify that these kinds of recommendations frequently do not consider the impact on individual users. I guess I've learned one thing, at least some of the regular users almost think that a particular space on the deck is theirs. It's a little bit like your parking stall, if your employer provides one; it's your parking stall, so there's a very personal relationship between those frequent users and the ferries. I think we should move on Mr. Chairman.

**Commissioner Distler** – Mr. Chairman I never got an answer to my question.

**Chair O'Neal** – What was your question?

**Commissioner Distler** – My question was; that in a ferry system that does not recover all of its costs isn't it fair to say that, with very few exceptions, any trip that's cancelled would save money?

**Mr. Cortines** – More than likely, I mean that the labor component would probably still be there unless you did some sort of shift differential, but certainly the fuel...a trip that does not occur is a boat that is not burning fuel, so there's logic to what you indicate. I have to throw one comment on there; again we were looking at excess capacity. There is more capacity in the ferry system than there is demand. I will concede that you less options to board a ferry at fewer times – acknowledged!

**Commissioner Ford** – But isn't your point the same in the highway system, there is no congestion if we could force everybody to use the system 24 hours a day very equal basis.

**Mr. Cortines** – No, it's a very different concept. In effect it would be more close to carpooling. Each vehicle has excess capacity beyond a single occupancy driver.

**Commissioner Ford** – No need to define it I agree.

**Mr. Cortines** – So, I would say if you want to get on to the freeway – example: carpooling is probably a closer concept to what's being recommended here in the performance audit.

**Commissioner Ford** – But we move 200 and some thousand cars a day through I-5 in Seattle on four lanes, so to be blunt about it, if you spread those 200 and some thousand trips evenly over 24 hours there's plenty of capacity. There's excess capacity, so let's take out a lane, because people won't drive at 2 a.m. in the morning.

We have that problem in transportation, I guess maybe that's where we are a little taken aback with your recommendation, because it is quite similar, or if you want to use the other--you can't drive alone you have to get in a carpool.

**Mr. Amble** – I just want to make one comment. I think Chris' point about the fuel is a key savings, the other opportunity is if you're not running the vessel that give you more time for the maintenance of that vessel, so that you then don't have these emergency situations occurring six months or a year down the road or five years down the road and realize that you've got to spend five or ten million to fix something that you could have, if you'd been keeping track of it during the non-operating period of the day or week for that vessel, then you're going to find opportunities there.

**Commissioner Ford** – That's fair enough.

**Chair O'Neal** – Well it's a dynamic situation. You could argue doing away with the ferries, but save \$400 million every two years. Where do those people go and what impact does that have on society and what does it do for the use of the highways.

**Commissioner Moser** – Not to belabor the point, but isn't this what the airlines industry is doing right now. They're consolidating runs, so they are running fewer planes and bigger capacity at the inconvenience of travelers, but that's how they're saving money.

**Mr. Cortines** – Absolutely!

**Chair O'Neal** – Okay shall we move on?

**Mr. Cortines** – Thank you David. We are going to bring Dick Mudge from Delcan up to the front. Dick worked with Brad Rayfish, who is here in the audience; we may even bring Brad up here. We will see what occurs. On the congestion audit the key elements here – we did identify economic benefits of \$3 billion if of recommendations in this report were adopted. The audit cost \$1.6 million. Key findings and recommendations – there were 20 some, but we focused on the main ones. We found the department does not consider a congestion reduction a priority in planning transportation improvements. Congestion could be reduced up to 15 percent by carrying out several near term measures within existing resources, but there is another message, and that in the long term reducing congestion would require significant investments.

**Chair O'Neal** – Yeah – well we ought to have a few questions on that. You know the Commission established a list of five items in the transportation plan a couple of years ago, and that were pretty much adopted by the Legislature. I think--number one was preservation, two was safety and so forth, and we had environmental concerns there, we had economic impact listed. I guess we didn't spell out specifically the term "congestion", however, in developing a plan like that I think one the key drivers was the fact that there is not all of the money available that everybody would like to have to do--to carry out every project that's possible in this state, so we have to establish priorities. I think that it's worth exploring this a little bit, because I think when we look at preservation--and I'd like to ask you this question--if the system is not preserved, if we don't maintain what we've got now, will that have an impact on the flow of traffic--do you think that will or don't you, or do you think we should ignore that..

**Mr. Cortines** – I'm going to take a first comment and do the wise thing, which is to turn subsequent comments over to Dick Mudge. I think one part in the report that I draw attention



to is the budget is broken out into different categories, certain categories include investment in infrastructure and investment in capacity, and one of the things that I observed from the report is that if you change the mix of those investments, not necessarily throw more dollars on the top, but do different things within that segment you can get more bang for the punch. With that said, Dick I'd like to turn it over to you.

**Mr. Mudge, Delcan** – One of the interesting things about transportation is that it's very hard to separate things out completely. One reason I think the congestion is a logical thing to look at, I think in our report you've have to do safety first and I would include safety of roads and bridges as part of that, so it's not only preservation of the system is has to be done, it's part of the safety issue, but if you can do something about congestion you very positive impacts on the economy, you have very positive impacts on people's daily lives and you have positive impacts on safety. It's not a question of ignoring other good things, but congestion in particular cuts across...

**Chair O'Neal** – Which is my point. I think the people on...and that was completed in the last year or so. I'm just saying, that project by its self, since it was a high priority project, says something about the drive for congestion relief.

**Mr. Mudge** – If I can make one comment. One of the interesting things about the RFP that the Audit Office wrote, that I've not seen done before, was that it asked us to look at what could be done in the next five years, so we were not looking out 20 years where you can say let's assume we are going to build lots and lots of new things. In five years we basically said we were going to assume there's not going to be any major new construction completed, with the 520 bridge or whatever, so we were...I think that it was a very valid thing for us, a very valid thing for us to be asked. We focused on fairly near term things.

**Chair O'Neal** – Can you give us some examples, specific examples, of what you're...for the record here.

**Mr. Mudge** – Yes. First of all we said up front when we started the report; is while WSDOT is very very important in all this, WSDOT does not come close to controlling all of the things that you need to have, you need to do in order to manage congestion. One thing that we emphasized was the need to have access to the interstates, access to the major express ways and that means you need to have arterials coordinated. There's a lot of relatively low cost savings that could be having coordinated traffic signals and so forth, and I notice that the City of Seattle just announced a month or so ago, a few weeks ago, that they had done that. That's a relatively low cost thing that would have a major impact. WSDOT has a very interesting program already; they spend less than \$10 million a year on it. They basically go out and they have an RFP every couple of years, they will pay money to private companies and public organizations that will get people to switch from single occupancy vehicles to carpools, vanpools, transit and so forth, very very cost effective program. We think that it's great and we thought they should be putting a lot more money into that. If you can get people to switch from an SOV at peak hour, still travelling the peak hour, so they still get their trips done on time, you can have a major impact on it.

**Chair O'Neal** – You know we have a...I don't know. Carol do you want to...you don't want to talk about it, but...we have a recent example of lack of support for this kind of approach. I agree with you completely on a personal basis, but I think maybe Carol has something to say.

**Commissioner Moser** – I think you are talking about the Commute Trip Reduction Program where the state has a program that tries to incentivize people to travel together either in carpools or vanpools. Is that the program that you are talking about?

**Chair O'Neal** – Yes.

**Commissioner Moser** – My regional transportation planning organization, which is one of the communities that just fell into the Legislation because we are now a community of approximately 200 thousand, just rejected the opportunity for CTR because they saw it as basically as more big brother – more government forcing them to implement a program within their businesses that they didn't want to have. It's nice to say that yes we could save lots of money by incentivizing people to travel together, but the reality of it is that there are some communities out there that just see it as another government program.

**Mr. Mudge** – I should add that our audit was focused primarily on the three Puget Sound counties. That program was looked at in relation to those three counties. Your county was not one of those areas, and that's a key theme in the report, is that different investments for different purposes, they all have to be considered, they all work in the place, they don't work in other places. We don't know enough about your county, but the emphasis on that program was in the three counties here in the Puget Sound area.

**Commissioner Moser** – I'm not saying that I agree with that approach, but it's just easier to say that then it is actually to implement it.

**Mr. Amble** – First of all I'm a card carrying economist, so I'm very in favor of the markets. I'm not ideologically against government imposing things on people. I think that actually the program is not the CTR program. I don't recall the exact name of it, but it's a different program where it's voluntary and they basically entities can say "we will be able reduce in our company or organization five people, ten people will switch" and DOT will pay that organization up to \$400 or \$500 per year for each person. So it's voluntary, it has direct cash financial incentives attached to it.

**Commissioner Moser** – It is the CTR program, but the CTR program is not as – they don't use the hammer as much. They try to get it to be more incentivized, but it is the CTR program. I'm fairly certain.

**Chair O'Neal** – So this is something that you really ought to highlight in your report, because I think when people hear about reducing congestion they automatically...some think what we need to do is build just a lot more freeway lanes and you're not saying that that's the only thing.

**Mr. Amble** – Absolutely not. We've got 22 recommendations. They cover everything from the culture of the DOT to planning and programming to government in the Puget Sound to operations to demand management and also to adding capacity.

One of the things that we did find that kind of shocked us a little bit, is that the system, the highway system in Puget Sound is fragile. If you were to go out and build a brand new highway today, you typically can get up to 2 thousand vehicles per hour per lane. Throughout most of the system in the region you are getting 15 hundred at most.

**Chair O'Neal** – That's 2 thousand vehicles per lane per mile, which equates to 2 thousand people basically.

**Mr. Cortines** – Which means that the system is not operating efficiently within its existing capacity and Dick if I remember correctly, Cloverleaf on and off ramps, left hand merge lanes were so of the, particularly in the Seattle/I-5 area as you approaching Seattle, where so of the investments, pardon me infrastructure investment recommendations.

**Mr. Mudge** – One of the things that we looked at was sort of like why is this so much lower and we came...we said part of it is that the roadways were designed to...a lot of them are 20-30 years old, so they are in a sense a lot of legacy systems out there, so we said that you should be focusing on things that you could do to get rid of some of the worst of these and that's left hand exits, exits that are close together, different shoulder widths, ramps that could be longer. There's a whole long list of things. This is probably the most expensive part of what we proposed, but it's something that could be done.

**Chair O'Neal** – Did you assign a dollar?

**Mr. Mudge** – We had it ranged \$1.5 to \$2 billion over the next five or six years.

**Chair O'Neal** – So, you're talking about the Puget Sound area only.

**Mr. Mudge** – Yes, that's the one that we focused on.

**Chair O'Neal** – And this would just be lane adjustments and access.

**Mr. Mudge** – Yes, but out of that you would be able to have a significant improvement in the physical capacity. That's by far the most expensive thing that we looked at.

**Mr. Cortines** – And the subarea equity component was another in addition to those outdated on ramps/off ramps was the concept of subarea equity and making sure that dollars are spread equally among different districts. That also contributes to the problem, because the bottlenecks are in few areas, and the benefit too many commuters would be if those bottlenecks were corrected versus spreading the dollars equally across the state, or at least in the three county area.

**Commissioner Ford** – If I could. In the management side, and certainly you're correct, the interstate system, just to pick on it, was designed basically 50 years ago, I mean when you get down to brass tax. Politics played in, so you had interchanges to close together, the acceleration/deceleration lanes don't exist in some places or we're using the main lane to store cars as they try to get off let's say at 8<sup>th</sup> Avenue in Bellevue. Did you look at all at congestion tolling? Just to use an unpopular term. The fact is we know that between Tukwila and Bellevue on a typical peak we're getting about 700 cars per lane per hour instead of...I think you are a little high at 2 thousand, maybe 18 hundred would be a closer number on a good flow, but we're getting less than half of that, so what would you do with that part of 405 between Tukwila and Bellevue where we're down even with another lane

that was added recently. I say recently, in the last 10-12 years. Would you use some sort of tolling to meter it through, because we know that it does work.

**Mr. Mudge** – I'm a fan of tolling if it's done right. I think especially if you have variable pricing then you have a guaranteed level of service with one fundamental problem with transportation in the U.S. is highways have not been deregulated, transit has not been deregulated, there's no guaranteed level of service, but if you have variable pricing, which such is on HOT lanes, the high occupancy toll lanes and some of the newer toll roads the price you pay there is, but you are guaranteed that you will be going a 50-55 miles per hour, so that you can predict when you are going to get there. In the report we said "one of the assets that Puget Sound has is more than 200 miles of HOV lanes." We felt that region should convert as many, if not all of those to HOT lanes as quickly as possible. I know that the SR 167 is the first start of that, but we figured that was an excellent way to get started. The decision to go to full congestion pricing, we did not get into that, that's very political and you can do it right or wrong. Quite frankly we just felt, I think that there is a way to do it right, but we felt that would then end up being the highlight of the report and then people would ignore the other things, which we think are practical and which are less politically...

**Mr. Cortines** – I think the object also had, it was focused on minimizing congestion while at the same time increasing throughput, so you have to think about variable pricing's role in relation to that object to the extent that throughput is increased. It was consistent with the audit objective. If throughput is being minimized then it wouldn't be a tit for tat consistent with the performance audit objective.

**Commissioner Ford** – Well, isn't there a parallel here to the discussion we had about ferries.

**Mr. Cortines** – I knew you mind was going to go there.

**Commissioner Ford** – The fact is in the peak we're getting the least productivity out of our asset in many places, I mean when you think about it. In some ways it's the inverses of the ferry problem. We theoretically have an asset out that will carry, we'll say 18 hundred cars per hour, but we're getting 7 hundred because of the congestion, and the objective, presumably should be to bring that utilization back up to 18 hundred. Isn't that where we're for the most we're trying to go, because it isn't that we're moving 18 hundred cars per lane, but we still have more cars that want to get into the lane. That isn't our problem, our problem is we're not moving the 18 hundred per lane.

**Mr. Mudge** – Well, there are multiple ways of looking at that. We try to look at that from different directions. One thing we also try to keep in mind, and it comes back to a little bit of what Chris said, is the purpose of the transportation system is not to so that engineers can run it the way that they would like to run it, the purpose is for people to get to work, to get to visit their family, so the purpose is to have a system that is more reliable. I think that there is a theme in our report, it says "that if you're going to be serious about this, you need to do everything all at once." There's not a magic bullet. Congestion pricing is wonderful, but it's not the magic answer. Adding new lanes is wonderful, but it's not the magic answer. Our view--my personal view, it's the view in the report is if you're serious about this you need to do pretty much everything all at once.

Our report is a very optimistic report, it says if you do that you can actually make progress.

**Chair O'Neal** – All at once....

**Commissioner Stedman** – A couple of things that you said earlier on caused me to sit back and say why am I listening to this. In the first place you identified this work as the Central Puget Sound, is that not correct?

**Mr. Cortines** – That is correct.

**Commissioner Stedman** – But when you talk about congestion management you've already identified a pretty compact part of a rather large state, so from Spokane I would immediately say "well I don't think too much about this – this is a Puget Sound issue." The other item is the word congestion itself. We have congestion in Spokane from our concept, so when you talk about congestion management this is not talking about Spokane. You're not talking about Vancouver, Wenatchee, Tri Cities you're talking about Central Puget Sound, so I'd like to make a suggestion on future audit. I have no objection to audits, I think they're great, but I think audits need to be more definitive in what you're doing here. I've been on this Commission for 5 years and if I've heard it once I've heard it 50 times. There's plenty of money, you just don't spend it right and you are identify that, because you said here that \$3 billion over five years could be a potential benefit by only spending \$1.6 million on the audit. That's a lot of savings right! Right off the bat, so if you folks are serious in your to bring to this table, or every table some really usable suggestions. We had a big headline after this audit in Spokane for goodness sakes, and it was basically there's plenty of money you just don't spend it right, because you didn't identify within the audit itself where these benefits could be achieved. In my view you broad brushed the audit data in a manner that does not give the state, as opposed to a small region of the state, a connection to these savings. I'd love to see some these savings--\$3 billion on five years is a lot of money, but it just doesn't do it when you don't become more specific on what is congestion, where is it and then spell the different ways you are going to achieve those \$3 billion dollars in savings. I'm tired of the anti's saying you got plenty of money, you just don't spend it right.

**Mr. Cortines** – Yeah, let me make one comment to the Commissioner's comments. I think that in the report it says long-term funding is a problem and that funding problem exists today as well. The report acknowledges that, and also says, within your existing uses you can do those use differently and get more bang. I think both points are in the report. The other comment that the Commissioner made was the connectivity to Eastern Washington. I know that many farmers are concerned about congestion in the Seattle area, not because they drive, but they can't get their products to and from with ease and that cost them in the pocket book, so granted that's only a certain segment of the population, but it is a valid point and a valid concern that many farmers have.

**Commissioner Stedman** – I agree and I will conclude by saying remember that the folks who make the headlines don't read your audit report.

**Mr. Cortines** – Good point!

**Chair O'Neal** – Well let's see, do you have any other....I have a question here, I think you criticize the department for not having congestion as a top priority and yet there are a number of things underway – the testing of the HOT lanes for example, which is a concept that is new to this area, and I assume you agree...while you're saying that if you do all these things

at once we'll have nirvana. I think that is the big if, how do you do all these things at once. I mean they are doing incident response, that helps doesn't it? I mean the fact that they've got these vehicles out there ready to respond to a problem. Do you want to comment on that?

**Mr. Mudge** – Let me make a couple of comments, first of all we say, I think, many times in the report – our sense is that WSDOT is one of the best DOT's in the country and that was partly based on our analysis of what they were doing and partly based on interviews of other people around the country. It easily should rank in the top five. Again, when we started this I already had a high opinion of WSDOT and PSRC and other groups around here. I came away with an even higher opinion of them, as managers and the things they do. I will follow up on that in just a minute – you mentioned that if we do these things we will reach nirvana. I would think that 15-20 percent reduction in congestion is certainly a long way from nirvana. I don't think as a practical matter we will never get rid of congestion, and as economist it would be a bad thing if we did. We certainly recognize the things that the things we talk about in here are not easy to do, we talk about changing the in a sense changing the governing structure in Puget Sound. That's not easy to do. We think you need to have a coordinated system that looks at highways and trains together, and that doesn't happen. That doesn't exist right now, so the mix of things we have in here, some of them are relatively easy, so of them are very hard to do. Believe me; I've been involved in major investment decisions around the country. I used to work for the U.S. Congress; I know the difficulty of doing this, so it's not easy to do. Our biggest criticism of the DOT, and it's something that I would say is probably more true of other DOTs, is they are not optimistic about being able to solve congestion, so they go off and do--focus on other things. The things they do are not bad things, it's not like this a question of saying there's waste and they're doing stupid things. This is saying, if you want to focus on congestion there are multiple things you could do and they would have a positive impact and a lot of them are relatively low cost in budget. Not necessarily all--doing the legacy design issue is not low cost. Again, I don't think WSDOT is--I would say almost every DOT in the country is the same way. They've kind of given up on congestion.

**Chair O'Neal** – That's an interesting comment, because it seems to me that there are all sorts of things going on--like you know incident response, on ramp regulation--you don't like regulation, but I think..that one's okay.

**Mr. Mudge** – Yeah, that in a sense is kind of pricing, so that's okay.

**Commissioner Moser** – When you look at the arterial, those are mostly locally managed.

**Mr. Mudge** – Absolutely.

**Commissioner Moser** – So, the local government has a tremendous amount of responsibility in contributing to the congestion at interchanges, and that's where I think the whole concept of land use planning and growth management and trying to have more strict laws that help communities plan better, so that they don't get into these log jams, because every single time you see these big huge box store developments adjacent to a freeway you know you are going to have a congestion issue on and off that ramp, so I don't want to put all of this on the Department of Transportation. I think a lot of it has to do with local governments, you know, seeing the dollar signs and trying to get as much money as they can off of the state highway system. That's the first comment; the second comment is that I just am blown away by this comment, because in Eastern Washington all we see is DOT giving projects to congestion projects. We view this as totally the opposite, the highway system plan is a plan that was

geared up that requires a congestion element before you get any funding, and that's been our big complaint in Eastern Washington is we need economic development projects, they're only giving these projects to areas that are congested, so I think this statement, you know I just can't believe this statement because I know from my personal experience in looking at the highway system plan that that is a major priority for DOT is the reduction of congestion at Eastern Washington's ....we would like to get some of that money for economic development, so I think this is very strongly worded and I take some objection to it because I know from personal experience that you know DOT is looking at congestion.

**Mr. Mudge** – And they are, and again, it's not to say that they are ignoring it completely. Let me make one comment back on your first comment, which I think is very true. In fact one of the things we, a major thing we asked to change in the work statement from the audit office was if you're going to look at congestion you can't just look at WSDOT. WSDOT controls certain pieces of it, but there are very very many important things that go beyond that, so we broaden that out. Certainly traffic signal coordination was a piece of this and WSDOT has some influence and can provide some money, but they don't control that at all.

**Chair O'Neal** – I want to be very clear on something. We are not here to defend the Department of Transportation, but I think we do have an obligation to try to understand what you've said, and I think your comments have very interesting. I want to ask one other question about the local issues here. You're saying that in the Puget Sound area there is no coordination between highway construction and transit, so I guess you are saying the Puget Sound Regional Council is not doing its job.

**Mr. Mudge** – I wouldn't say there is no coordination, but that there's not enough. It is very hard to look at things and say should we spend money on highways or should we spend money on transit, how do we do it? It looks to us as though those could be better coordinated and having a unit that would not only do the planning, but would also oversee the investment would help. Certainly again, PSRC is one of the best MPO's in the country, so the criticisms/comments that we are making about Puget Sound we could probably go out and make them even stronger about other parts of the country as well.

**Chair O'Neal** – I just want to follow up here, because this has been an issue obviously in this area as to whether there's some other way of coordinating things in the Puget Sound area. The Legislature has debated this – do you propose a super agency of some kind, or more clout with Puget Sound Council, or what?

**Mr. Mudge** – We discussed the need to have some kind of a regional transportation commission. I know it's been talked about, it's been debated. We don't go into specifics about exactly how that should be done, because that's a local decision, but our feeling was that PSRC would probably be at the heart of that.

**Mr. Cortines** – It could be an empowered WSDOT. It needs to be somebody.

**Chair O'Neal** – Bob, you had a question.

**Commissioner Distler** – I want to follow up on what you said. I don't think I'm known as an apologist for the Department either, but this slide says on it WSDOT congestion management. Early on you indicated quite correctly that WSDOT does not have control over many of the elements that can affect congestion, but the two things you said that really bother me, are the first is: the department seems to have given up on congestions and show it's doing other things; and the second thing you say right here on the chart is; they could reduce

congestion by 20 percent by doing a bunch of stuff that would be of little or no cost. Now, do you mean to say what that says, or do you mean to say something else.

**Mr. Cortines** – Yeah, I think the given up comment was a reference to departments of transportation elsewhere in the union, that was not referred to WSDOT in particular. I just want to make that correction before.

**Mr. Mudge** – They have certainly not given up on it, but I think a lot of the state DOT's in general believe it's a problem that won't be able to solve.

**Commissioner Distler** – It was the statement which you made in the context of this conversation. I want to be absolutely clear as to whether you were referring in any sense to the Department of Transportation of this state or not.

**Mr. Mudge** – Again, as I said before WSDOT is one of the best DOT's in the country and our report says that and I say it every time I talk to anybody. I think they feel that it's a problem--that it's very hard to solve and it's not that they don't do things about congestion. There are a lot of things they do about it.

**Commissioner Distler** – This says it's not hard to solve at all.

**Mr. Mudge** – No, I would not interpret our report as saying it's easy to solve. There are a lot of things...and again I don't think that 15-20 percent is solving it, it's making progress. We have more than 20 recommendations in here, some are relatively easy to do, a lot are very very difficult to do, if it were real easy someone would have done this before. A number of the things we talk about are low cost. Some of them, like the legacy design issues is very high cost. There are budget resources within the state to do it, but it requires changing priorities. I didn't mean to imply that this easy to do.

**Commissioner Distler** – But, you said a fifth of it is easy and cheap to do. I'm not sure I understand what it means to reduce congestion by 20 percent, but that one sentence on the slide along with the headline seems to indicate that the people at WSDOT have been asleep at the switch. That's what it says to me Mr. Cortines.

**Mr. Cortines** – Well let me comment. I think the report goes into the governance structure; it goes into the on ramps, the interplay between DOT and local governments. It really makes a case for that empowered WSDOT or some sort of regional governance structure where someone has the authority to bring in these transportation decisions under one roof. We have congestion reduction being a priority as those investments are coordinated, so I interpret the report and I interpret Dick's comments in a different manner.



**Mr. Mudge** – This is not easy stuff to do. I agree, when you look on a single page and you say you could reduce congestion 15-20 percent it makes it sound like it's a flip, an easy thing to do, it is not.

**Commissioner Distler** – This is what makes the KOMO News though. This is what makes the evening news.

**Chair O'Neal** – Well, I think we can all improve our performance. It's good to have some stimulation in that direction. What I take away from what you're saying is, you're not in favor as an economist in eliminating congestion. Can't be done--probably, but some strides could be made, maybe we could reduce it by 15 percent if some of the priorities are adjusted to fit the what you've laid out here. It's not going to be cheap necessarily either. When you talk about legacy--this highway system the freeway system here was built 50 years ago, and making adjustments in that is not going to be cheap. It's not going to be \$1 million or \$2 billion; it's going to be a lot more money by the time you get through with it. It's important I think to put all this in some kind of context. Great strides are being made, we can all do a better job, but setting priorities in a democracy where you have a lot of players is not simple. Anyway, what's your next – I think we can move on here.

**Mr. Cortines** – If I could bring Jenny Johnson from Ernst and Young up. Thank you Dick Mudge for your comments. The next audit was our review of administrative and overhead operations at the Department of Transportation. The savings were at least \$18 million potential savings. The audit cost was just under \$700 thousand. What the audit really identified was a case for centralizing many of the administrative operations ranging from payroll processing to employee promotions, terminations, adjustments in pay grade, to the processing of voucher and also some out sourcing potential with the processing of receipts, the use of a lock box, those are the driving items behind the \$18.1 million.

**Chair O'Neal** – Do you want to say anything more about it?

**Commissioner Ford** – I do have one question. As I look at many of these potential savings in administration, part of it is about sort of rearranging the way things are done, I understand that, but generally coupled with that is the need for some investment in these new systems so that it works well. This is not just a problem –maybe it is for the auditor's office – the state has had a terrible record of stepping up and putting the kinds of systems in place that will support. We are still dealing essentially with paper and pencil on the way we control projects in the department, and we do have finally some appropriation and they are trying to bring it up to let's say a rather pale image of what a typical big construction company would have in terms of their system management information systems and so forth. Does this report urge the Legislature a little beyond next year's appropriation and provide capital where it's needed to really implement these kinds of administrative changes, because I doubt if it's a simply and maybe the person from Ernst can tell me by just saying “okay Mary you used to be charge of the health plan for the employees, but now you're going to do the health plan and the retirement plan”, and we can do it with one person instead of two, or am I missing something in this conversation.

**Mr. Cortines** – I will let Jenny comment, but before I do so I would like to make one of my own. I do know that the report – in the payroll processing there is discussion about 26 pay periods versus 24 and there's a discussion about adjusting people in between pay periods instead of rolling those to the next pay period. Some of those recommendations do require a legislative change. That's not quite the direction of question. I believe it's on the investment

side. I know that the state as a whole is looking at investments, trying to look at them holistically and that approach does slow down the implementation of new systems at various state agencies.

**Chair O'Neal** – I guess this is what Commissioner Ford is getting at. We have heard a lot from the Department of Transportation about their need for IT systems. The system they have is antiquated. Did you deal with this in the report, is that an issue as far as you're concerned.

**Ms. Johnson** – Definitely that was one of the things that we looked at. The audit did not look at the cost to implement those systems needed, but one of the things--an example would be for payroll, employees are still having to enter their hours manually on a spreadsheet and then have to get that manually approved, so implementing a system to make that automated would significantly reduce cost associated with processing payroll.

**Commissioner Stedman** – Was that a recommendation in the report.

**Ms. Johnson** – Yes it was. So those are the kind of recommendations that we were looking at, but we did not--were not able to provide a cost of what it would be to implement these recommendations.

**Chair O'Neal** – Do you have any guesses?

**Mr. Cortines** – I think DOT in the past has looked at systems and priced them out and maybe they're best person to ask that question here when we're done.

**Chair O'Neal** – Likely to be expensive, at least more expensive than the Legislature has been willing to fund in the past few years.

**Commissioner Ford** – An example--in a recent briefing we had on the ferry service, I was surprised to find that certain costs--employment costs are not directly attributable to those employment costs. The one that struck me which was a rather large number is the mileage that is paid to crews to go between terminals when they are assigned to different vessels. Well, that's a cost of employment whether you like it or not it is one of those things, it may be in the contract and require that they pay it--all of those things which haven't got a huge objection to, but when you don't all the employment costs that you have it one place where you can look at them as employment costs it seems to me that the systems need some work. I'm just talking now about basic accounting systems where you can break down every factor that goes in to the employment of people and their deployment to the different phases of work that you have them to do. It's pretty clear that a number of things are put into this category; I don't know whether they call it indirect costs or something of this sort, which sort of has two sets of problems. It doesn't make things very transparent for those who are interested in looking at it, but it also hampers management when they look at their real costs of having employees and using those employees in the way they do. They might then, say well, is there a better way to deploy the people then telling the guy that has been working on the Vashon run that he now has to go up to Orcas Island to steer the boat. You know--it raises those kinds of issues.

**Chair O'Neal** – Reema mentioned that we haven't identified the consultant for the record.

**Mr. Cortines** – Ernst and Young, and forgive me. And Jenny Johnson worked on the audit directly.

**Chair O'Neal** – Do you want to make any comment on the comment?

**Ms. Johnson** -- No.

**Commissioner Distler** – I must say I'm surprised that the \$18.1 million is as small as it is, but is it fair to say that these are only sort of direct administrative costs and they don't consider resulting--talking about IT for a moment--they don't consider resulting improvements in the overall operation that would result from better controls and systems.

**Mr. Cortines** – There is some considering – it large part you are correct. There is some consideration in the audit about decreasing risk of loss by better review of voucher payments in particular, which would get into the effect in this realm, but in gist I agree with your comments.

**Chair O'Neal** – Okay. Do you want to proceed? I had a question of your other consultant. I guess I can ask you. Yesterday we heard from Microsoft and they discussed their program where the company its self is providing transportation to its employees. They've got their own bus system--now some of this is experimental--they're not necessarily saying they've got the final answer, but the interesting thing was that here's company that has kind of stepped into the area here in order to serve its own interest--obviously. I just wondered if you had an opportunity to look at the potential roll of that kind by private industry in serving their own employees and their own interests by providing that kind of transportation.

**Mr. Cortines** – May I for clarification which audit are we referring to?

**Chair O'Neal** – Oh, the fellow Dick Mudge--ust left I think.

**Mr. Cortines** – Do you want me to go ahead and bring Dick back?

**Chair O'Neal** – No..that's fine. I just wanted to ask that question. I though maybe you could respond, but if you can't that's fine.

**Mr. Cortines** – If you're asking in regards to studies of congestion management or tell me a little bit more. And, forgive me I was getting the chair ready for Ian Burnes who I'll introduce here in a second. I may not have given you my full concentration.

**Chair O'Neal** – Let me just give you the – the general question is – is there a larger role that the private ought to be playing to provide transportation for their employees, and if there is, if you think there is how would the state incentivize, or should the state just staying the heck out of it and let private enterprise take its course.

**Mr. Cortines** – Let me introduce who's up at the table. Both gentlemen worked on the congestion audit with Richard Mudge who was here moments earlier. To my left or to Harriet's left we have Brad Rayfish from Talbot Corvala Warwick who was the prime contractor on the audit and to my right Ian Burns from Plan B Consulting. Both Brad and Ian worked on this audit and Brad or Ian do either of you want to take the question.

**Mr. Burns**-I can give you just a short perspective. We did look at the private sectors involvement in congestion management and we did find that there is a joint effort in force to some degree. Microsoft is obviously one of the largest employers around and has provided some incentives to its individuals. A lot of work at home processes going on--Some other

time movement of flexible hours in respect to people when they're on the freeways and those kinds of things.

**Chair O'Neal** – Not to mention free transportation.

**Mr. Burns**-Correct--and other freebies that are associated that. There are some joint processes in respect to trying to mitigate some of the congestion related issues.

**Chair O'Neal**—So, are you saying that's going to happen, we don't need to get the state involved in that.

**Mr. Burns**-We are actually saying that the state should be a part of that and should work jointly with it. The report does have some information in respect to that and the impacts. Largest employers are looking how they it more comfortable for their employees to get to and from their place of business. So, there are other things that they are considering doing--moving employees out of the area going to less populated areas, whatever it may be. It is a joint venture.

**Chair O'Neal** – Do you contemplate in that kind of suggestion a public private partnership of some kind where public monies are used--private monies or...

**Mr. Burns**-We did not specifically state that--public dollars should be used. We just state that there should be conversation and cooperative effort.

**Mr. Cortines** – But you comment is specific to commute trip reduction.

**Chair O'Neal** – One of the things that came up yesterday that Microsoft raised was that in some cases they're not allowed to share some facilities with the state--park and ride lots for example. That recommendation didn't make it in...

**Commissioner Ford** – If I could Dan...it's a little unfair for us to raise this issue, because it's come into focus relatively recently and that's what the price of fuel is doing to transportation. I don't think any of us understand the full impact of what that means over time. I realize these audits were done before we knew as this morning's paper reported for example--our revenues are down about \$100 million because of less gas being consumed by users. I do think though as you move forward it would be extraordinarily helpful if the audits in this area did take into account, at least as best they can, what all of this high--priced fuel means to the future. It goes back to the recommendation you had about better integration between transit that the other programs and highways and so on. The fact is transit doesn't have any money to add a lot of new service in central Puget Sound. They just don't have it--their fuel cost is going up to, nevertheless more people are getting on the bus, because they don't pay the \$4 dollars fifty cents or thirty nine cents, whatever it to put fuel in their car, so we have a real dilemma here from both in terms of what does mean--is more or less a permanent problem we've got to cope with and then question of how do we allocate resources between the options we have to try cope with the problem. I have to say this coming from central Puget Sound. I am the Commissioner from central Puget Sound, living in Seattle. The vulcanization of our resources that is occurring in this state is a scary thing and it's a heck of a lot scary for areas outside of central Puget Sound than it is for those within Puget Sound. The fact is if we are going to have a state system some portions of it are going to be subsidized or we are just simply not going to have roads there--I mean if you expect that 25 hundred or three thousand people in Ferry County to keep a main state route

open--they haven't got the resources even if they wanted to do it, so we need to think about this problem of vulcanization and hope that we can allocate both between modes if that's a good solution as well not doing those from eastern Washington have expressed in this meeting--forget that there are important needs all around state--they don't all exist in my backyard, so to speak. We have needs and there's no question that we do. I did have one question that I would like at least your reaction to. They're trying to measure the congestion problem based on people being secure in the time that it will take them to go from point A to point B. In other words they're not saying it's going to be a great, fast trip, they're saying if the expectation is if you live in Renton and you work in downtown Seattle you can expect in the peak to make that trip in 32 minutes or whatever it is. It's when it becomes 42 minutes that people, I think practically speaking most people adjust and other words if the live in Renton, work in downtown Seattle they expect maybe the 32 minutes trip. It's when it starts getting to be at the 40-50 minute trip is when they get a little irritated. They might like it to be a 15 minute trip instead of a 32 minute trip, but they do adjust to expectations--is that a decent criteria or should we say no we should decide what the elapse time should be for trip and that should be our bogie to try to meet.

**Mr. Cortines** – I don't think I feel comfortable saying it should be this or it should be that, but I do feel comfortable bring a consideration in to that deliberation. There is an economic cost associated with congestion, so that even that reliable ride that you described at--was it 31 or 40 some minutes. If traveling at the speed limit achieved that trip 25 the predictability of the ride does not eliminate the economic impact.

**Commissioner Ford** – Your economic impact, as you say--well the State of Washington says my time is worth \$12.50 an hour, that's what I get paid on this Commission, so presumably as my wife says; you are finally earning what you're worth. For me, if I spend an extra 15 minutes, you're going to say that in affect I have a three dollar loss. Is that how we got to the \$3 billion?

**Mr. Cortines** – It also factors in the economic impact associated with employers and employees having to settle for a lesser employer and a lesser employee. I don't know if you would want to bring Dick back up at this point. I know Dick is very learned in the matters of economic impacts, I'll gladly--did he, okay. But again there is a price of just economic interactions that do not occur and people settling for the job that is not quite their best or highest paying job. The employer settling for the employee that wouldn't be their top pick, those also factor in as well as pollution, if they could travel at the speed limit, or rather generated is a higher amount. Actually here's the economic expert right here.

**Mr. Mudge** – I've got a brand new bullet proof vest, so I'm all set!

**Commissioner Ford** – Let me repeat my question. In coming to this \$3 billion number--and I was somewhat factitiously saying because in this role I get \$12.50 an hour. If the trip takes me twice as long as it should, and I don't know who decides it should, does that mean that there is a \$12.50 loss that goes into this equation or are we sticking with the commercials where if my friends at UPS have to add two more trucks because the speed at which their trucks can move through traffic has been slowed down. Is it just those kinds of things that we are considering, because I'm not bright enough to figure out what my time is really worth, so I guess I want to know where did that \$3 billion get calculated--how did it get calculated?

**Mr. Mudge** – They basically do something that is relatively simple--they'll compare actual travel times with travel times at speed limit, they'll pick a dollar number for value of travel time and you can argue about those dollars, the values for a long time. It is more than \$12.50. You come up with the value extra wasted time is, and we've taken some of those numbers as the baseline for what we've done, but my personal view and my review of the literature says that grossly underestimates the real cost of congestion. For example – congestion is all about access to the labor and labor access to the jobs. There's a recent study that says that has based....that shows if you increase the access to labor by 10 percent, because you've improved the transportation system, reducing congestion. For every 10 percent proven access to labor you increase the productivity of private business by about 2 percent. That's a huge leverage. It works the other way around too. If you reduce--if congestion gets worse, then therefore companies have accessed the less labor within a commuting shed and employees have access to fewer jobs that adds 2 percent--decreases the productivity of private business by 2 percent. Those are huge numbers that cut across the entire economy. There are also very largely environmental impacts of this stuff. If you can reduce--if we could eliminate congestion, which will not happen, but if you could eliminate congestion you would reduce greenhouse gas emissions by about 45 percent--from transportation. Anyway it goes well beyond the travel time savings; it's all about economic productivity and more than half of the \$3 billion.

**Commissioner Parker** – Thank you. I would kind of like you to try to tie it in. As I look at this, you know we look at audit costs, the potential savings and then I don't see anything here that says basically the cost to implement this and one of them back on administration says major upgrades and programs. If you choose an arbitrary number that may cost the department to do this upgrade, it's more than the potential savings. How do we present that or how would the department present that to a taxpayer as a savings, if it cost more to implement it then you're saving and at some point a major in the program, that to me spells a long and probably significant path to get there. When you finish you'd kind of tie it in if it cost more to follow your recommendation then does to ignore it, how do we justify it.

**Mr. Burns**-Are you talking about tie it in on the report or are we talking about construction management.

**Commissioner Parker** – Well, take a look at this one. The audit cost is...

**Mr. Burns**-\$438 thousand

**Commissioner Parker** – and we are saving \$42 million and it says improve oversight and inventory management and tracking project cost.

If we had a concept of how much that was then department--maybe it's spelled out specifically in the report, but how does that relate to the identity of how much we're saving.

**Mr. Burns** – Well Commissioner a lot of it is spelled out in the report when we get into the details before we have the recommendation. A lot of the recommendations found a lot of the savings were just changing job roles jobs functions. They do take a huge investment on behalf of WSDOT.

**Chair O'Neal** – But you didn't--the number you have up here is not a net number though. The only question the Commissioner is asking is; it costs X amount of money to implement these recommendations. You're saying there's going to be Y savings. What's the difference? I mean what is the net savings? You got a savings you got a cost, subtract the cost and the saving what's the net? Is it a minus number--plus number or what?

**Mr. Cortines** – There is a theoretical net, but it's not very big. The bulk of those savings, and feel free to piggyback--the bulk of those savings relate to the use of cost engineers and theme in the report is not that you hire cost engineers in addition to the project engineers that are associated a project, but let's say I have 10 engineers working on a project that the composition of who those engineers are include; a cost engineering component, so you're not making 10 engineers turn into 11 you're saying of the 10 lets include one whose a cost engineer. Now the bulk of the cost of implementing is salaries, there would probably be some additional training and the standardization of how that work would look that would also rolled in there. We don't have that in the report, but the number one cost component would be salaries, and they are not saying go hire an additional engineer, they're saying include this person with this skill set in your project team.

**Chair O'Neal** – We have two other people that we are trying to fit into this two--hour timeframe from the Department of Transportation to give us their comments/rebuttal whatever, so we want to try to move along, but that might...the effort to get through this is...I know that it's not just directed at you, but also us up here. We don't keep you to much longer.

**Mr. Burns**--If I could add one statement to what Chris was saying--is that WSDOT employee's best practices and they employ best practices in a lot of the high cost high visibility projects. We found that in a lot of the small/medium size projects that if they employed the same best practices in those areas that are where the savings would be realized.

**Chair O'Neal** – Interesting!

**Commissioner Ford** – Dan I think we may have sounded more negative then you would like on this side of the table...

**Mr. Burns**--No.

**Commissioner Ford** – but I want you to know that I think if nothing else, if nothing else, a dialogue like the one we've had is very helpful in getting the public to think more broadly about what the challenges are in transportation and some of the things that could be done to help solve those problems, so I don't want you to walk away from here saying--geez all these guys did is come and beat the heck out of us, and that's what the meeting was about--it wasn't about that it was about an open dialogue to try--to help think our way through. We've got a big job ahead of us and part of it is to do a better job with what we got...

**Chair O'Neal** – Okay, the question though is do you have anymore to say. Is there any more comment.

**Mr. Burns**—All I will say is that if you look at the recommendations and you read the report WSDOT agrees with the majority of our recommendations and so does OFM, and they have a timeline for implementing them. WSDOT was on the road of an aggressive SPMG program--training; we agreed with that, we said just keep going. If you read the report you will see that they agree with the majority of our recommendations.

**Chair O'Neal** – Any other comments? Just one question that I wanted to ask, and that is one way to reduce congestion would be to get people off the highways and get them to live closer to where they work, like in the major cities--land use, I mean transportation creates land use issues, in fact if you didn't have an the automobile maybe you wouldn't have land use issues. Did you look at that issue?

**Mr. Mudge** – We didn't really get into that, because we were looking at what you could do within five years.

**Chair O'Neal** – I don't think you can force people...and incent people to move into cities within five years. Maybe it's going to happen though, the price of gas is going to...any other comments you want to make?

**Mr. Cortines** – Again, I'm not the congestion expert, so this is just Chris Cortines who has a basic observation. Much of the development that has occurred years ago. The best analogy I can use for those of you are familiar with IT, there's an old language called Cobol and many of this inherited this 50 or 40 years back and when it got around to changing our programs there was no one left who recalled how to do it, or paid them out of retirement to come back and patches and all kinds of tricks. I use that analogy because much of the development that we is in place. I think the discussion on how to influence new development is a valid discussion, but we can't undo tracks of housing that is occurred for 40 and 50 years where it has occurred, and I hope that doesn't come across as a defeatist perspective, because I think new growth is a valid consideration, but we're stuck with lots of old growth.

**Chair O'Neal** – Okay, well we thank you very much for your presentation here today and again I want to say that...I think a review of this kind by an organization that's not part of the transportation community is probably a good thing. We need to have a look from as the outside as to just how this thing is functioning and you raise questions about what ideas about what can be done to improve it and that's good.

**Mr. Cortines** – We thank the Commission for their time this morning, we thank the contractors who joined us and I just want to point out you'll enjoy working with my peer Harriet Richardson; she's a top notch professional. Thank you very much.

**Chair O'Neal** – Thank you!



**Commissioner Distler** – I just have one question. On the slide that you didn't show future transportation...you said that Washington State Ferries will be prioritized separately, what does that mean? "What are you going to be doing the future?"

**Ms. Richardson** – This is Harriet Richardson, Deputy Performance Audit Director. What we're planning to do is we are going to take a risk--based approach to evaluating all of the programs within Washington State Department of Transportation, but some work has already been done on the Ferries Division when Ernst and Young did their audit, they did a risk assessment and so we are going to refresh that, and add some--prioritize the work within the Ferries Division primarily because we know that still citizen--a high priority of citizen concern. We are also going to update our work on citizen outreach and bring all of their concerns into the future audit discussion. As we develop programs--our future audit programs and identify the topics where we'll be auditing, we will identify within the Ferries Division separate from the rest of the Department of Transportation.

**Commissioner Distler** – Thank you!

**Chair O'Neal** – Thank you!

**Mr. Cortines** – Thank you!

**Chair O'Neal** – Bill Ford and Steve McKerney are on the list here. I have a feeling that Steve Reinmuth is joining them. For the record we should say that Steve Reinmuth is present as well. Are you going to lead off the discussion?

**Mr. Reinmuth** – I am, for just a few minutes then I'm going to turn it over to Bill Ford and Steve McKerney. For the record I'm Steve Reinmuth, Chief of Staff for the Department of Transportation on behalf of Secretary Hammond who couldn't be with us today--she's on a well deserved very short vacation. A couple of things, just to thank first of all the Auditor's Office and the contractors who work with the Auditor's Office on these audits. As you know, having heard the presentation the Department of Transportation worked with this team, both our team and the audit team, for about a year on these four audits, so it took a lot of our time in addition to the 18 thousand hours that the contractor audit folks put in. You can imagine the amount of time that it took for our staff to gather materials, to sit down and explain, to understand what the audit recommendations were, so our goal is, in addition to confirming a lot of the policy choices that we spent talking about this morning, things like should ferry service be higher or lower, should congestion investments be higher or lower, those are all great conversations to have. Our focus in addition to those big--large policy topics is: what can we learn, how can we do our job better and I need to assure you, I think what you already know, which is that the Secretary of Transportation, Paula Hammond has made it very clear, as one of the people who gets the phone calls throughout the day and in the middle of the weekend and at night, making sure that we are doing a good job delivering to taxpayers, but that the Governor herself makes sure that we are not only focusing on the takeaways from these performance audits to the extent that there are practical things that we can be thinking about, but just the day to day operation of the agency. We report to the Governor through the Secretary of Transportation under the Governor's Management Accountability Project the GMAP initiative that I know you are all familiar with regularly, we've had opportunities to talk with the Governor and her management team about how we're working on these performance audits and how we're doing on our to do's, and that's what we're going to focus on today. We want to make sure that we have an awareness of the Commission's agenda. I know we were scheduled to end at eleven, my hope is that we can

maybe take till 11:15 or 11:30 to the extent that there are questions we want to make sure that everyone gets and opportunity to see the good work that this team is doing, so our focus is less on the good policy discussions that we all had this morning and more on; what are we doing to follow up the real--world takeaways as we go forward from those four performance audits. I do want to do a footnote and let you know that there is a fifth performance audit that's still out there. It's being finalized by the State Auditors Office; it's on debt collection. How do agencies, I think that we are on of six agencies , how are we doing in our efforts to recover when a truck runs into, say an overpass or runs through wet cement, and what do we do to make sure the people pay up. I'll tell you that we do a lot, but we'll wait and see what those performance audits recommend. At this point I'll turn it over to Bill Ford who is our Assistant Secretary for Administrative Services and Steve McKerney who is our Director for Internal Audit.

**Mr. Ford** – Good morning Commissioner O'Neal and members of the Commission, as Steve said I'm Bill Ford, the Assistant Secretary for Administrative Operations here at DOT. We are here today to provide with an update on the recent performance audits. We're not here to go over each individual audit response with you, as there are 72 findings, 72 recommendations and 132 action steps. Neither Steve nor I are probably technically competent to answer every question you would have relating specifically to a policy, but we can certainly tell you what the status is and where we are with each one of the these audits. This is a summary level briefing intended to provide you with a complete overview of the impact of the five audits on the Department of Transportation. As you can well imagine this involves more than just showing up. We've been engaged with the consultants, the State Auditor and others for a number of months as we've moved through this project, which has taken some time and effort. Specifically we will be talking about preparing for the performance audits where you will learn such things as we did about the yellow book and the red book. We will also talk about coordination with auditors and how communication is the key to this process. We maintained a very good professional relationship with State Auditor and their consultants, the GMAP staff and OFM, and I think that was crucial to this process.

Then, we will brief you on the status of the audits, and without giving away the ending, we believe that we'll have the responses and implementation of approximately 80 percent of the actions steps by the end of this year. Lastly, we are going to talk briefly about lessons learned, which include communication, agency resource utilization and costs of the implementation. With these thoughts in mind I'd like to introduce Steve McKerney. Steve's been an auditor for 21 years and he's the Director of Internal Audit and has been the Director of Internal here at DOT for the last 3 and half years, so with that Steve will walk us through the briefing.

**Mr. McKerney** – Thank you! Mr. Chair and members of the Commission--good morning. I thought that I would start with a sense of what we did to prepare for these audits. We involved senior management--senior executives at the highest level. Starting first with assigning one executive to each audit, making sure that they had a key role in monitoring the audit and showing support both for the process internally and with the Auditors Office, and staying in contact with the Auditors Office throughout. We also set what we call audit protocols with the Auditor that included how we would share information and specifics on how we would stay in touch and communicate.

Just as a point of history, that was done before the State Auditor developed their statewide protocols on all of their different types of audits. Chris Cortines and I spent some time on behalf of our agencies working that out, and I think that was of some real benefit in that we briefed our executives on the scope for each engagement and also on--as Bill mentioned audit standards--government audit standards or the yellow book. Those standards the auditor is required to follow and they lend a lot of value to the process.

**Chair O'Neal** – Are you going to describe what the yellow book is and the red book?

**Mr. McKerney** – Sure, the red book is the government auditing standards. Those are the standards that the state auditor is required to follow. The red book or the international internal auditing standards--they both cover much of the same ground. My shop is required by state law to follow the red book, they both deal with independence, how you gather and handle evidence, how you report. They're essentially a set of guidelines.

**Chair O'Neal** – These are guidelines that are national or I mean they're adopted within the state, but I assume they're standard nationwide.

**Mr. McKerney** – Absolutely, the yellow book is nationwide, from the U.S. General Accountability Office.

We also worked with the Governor's Office and their GMAP staff. They have an important role in working on these performance audits in terms of coordinating the response from a cabinet perspective, and also working with the State Auditors Office on their performance audit program from a cabinet perspective, so working with the Governor's GMAP staff was a key part of our preparation. We did what most agencies do. We established a point of contact for the auditors, and that in this case is me. Someone to receive key communications and be at least a first place to go if they some information, but I certainly wasn't the only one that worked with the auditors. One of things that we did that was quite successful was to establish working groups for each audit. Those included executives, managers, and subject matter experts in each area under audit. That provided the right people up front to gather information that was requested to help monitor the progress of the audits. We assigned some roles during the audits or in advance, as early as possible, we reviewed the scope of the audits to get an idea of what information we would need to gather, and also what criteria our programs would measured against, and provided some information for the auditors up front before they made their first request. And also in addition to that we assigned some rolls on who specifically would fill document requests, knowing when the audits started the request for documents and the requests for interviews would be pretty longs lists initially, to help the auditors get up and running.

**Chair O'Neal** – When you selected the people to or identified the people to work with the auditors, did you only identify those who were pessimistic about solving congestion or did you have a broader cross section?

**Mr. McKerney** – It was a nice cross section. Once the audit began we did formalize those contacts and made sure the auditors had the right folks to work with and make their information requests and request for interviews. We also, this is something that Chris and I worked up from the beginning; scheduled a set of bi-weekly meetings throughout the series of each of the four audits, and that took a commitment of time on the part of both the auditors, the audit firms and the department, but it gave us the opportunity to talk about outstanding information requests from the auditors and also that forum to share results along

the way. And, one of the things we asked for was; to receive in writing conclusions, recommendations prior to the draft report stage, to have some valuable discussions about how those conclusions and recommendations were developing and so we would see those at the bi-weekly meetings. The coordination and communication has been a critical piece with the audit staff and also internally with department management to keep management informed of the progress.

So, we can move now to the status of addressing each of the four audits. The first step is the Ferries Division performance audit. That audit provided 10 recommendations and as a result of that we committed to do 24 separate things with 24 separate action steps. As the pie chart up on the slide shows we have completed eight of those so far, seven are scheduled to be done by the end of 2008, six are ongoing and three depend on funding or policy direction. I thought that I would provide a few specifics about what we have done to date. As you heard earlier a piece of the audit focused on the Eagle Harbor Maintenance facility. That facility now, well I'll back up, they made some improvements in the payroll and timekeeping process, including a number of things. They now use a single form and a single process to track time at the facility in all of their eight shops. Other work requests and assignments are tracked consistently. They were entering time data in a couple of different places and they've eliminated that dual entry to gain some efficiency. We've evaluated the current timekeeping process to see what additional detail on indirect costs that we can obtain. That's part of a larger effort to address one of the recommendations on cost savings to look at efficiencies we can gain over time in indirect costs and that analysis will take place after some additional data we didn't have up front. We have strengthened management oversight of the Eagle Harbor facility. We are tracking additional performance measures at the facility; we've improved business practices there, including rollout of a formal quality assurance--quality control program has just recently been rolled out. Improved documentation of business processes at the facility was another accomplishment. There are additional procedures, I should say, as part of the safety management system that has gone out since the audit was completed--that work is ongoing, as you might imagine.

**Chair O'Neal** – What sort of program--quality assurance program are following? The reason I ask is because there are a number of these approaches and Toyota has a school where they try to teach this kind of thing and I guess the Boeing Airplane Company has taken advantage of it and probably a lot of other entities. I've wondered whether the Ferry System wouldn't be a good candidate for that sort of thing. What are your thoughts on this?

**Mr. McKerney** – Well, you know I can only speak to that point in so much detail. I know that they have rolled out a set of guidelines and standards from a vessel and a terminal standpoint, but beyond that probably our senior port engineer or other representatives of ferries are the best to get into that discussion.

**Chair O'Neal** – I didn't see it or I don't think it's a recommendation that came out of the audit either was it.

**Mr. McKerney** – I think that it was part of our response more than a specific recommendation.

**Mr. Reinmuth** – Commissioner O'Neal to make sure that we provide a little bit of detail in terms of vessel maintenance and preservation; one of the things that Ferries Division of DOT are always looking to do is to make sure that we're using best practices with the limited resources that we have, especially in light of the recent steel electric revelations in terms of

the realities of the hulls that we encountered after inspections that we on for quite awhile. We, as part of that QAQC effort have made sure that we're not only looking at what our best practices are, but what does BC Ferries do, what do cruise ship operators, what do other operators of ferry systems do. We've tapped into national associations, we've asked hull experts outside the agency, Coast Guard and others to come in and establish those best practices, so that's a part of the QAQC. What I don't know is what we've done on looking at the Toyota model or other private entities. I made a note of it that we will make sure that we talk with our senior....

**Chair O'Neal** – I think it's good to identify best practices, but the way that model works, as I understand it is it bubbles up. I mean people on the job are identifying issues...those issues and those ideas are allowed to float up and are followed, or followed if they're good ideas.

**Commissioner Ford** – Just by way of information on that, if you could get her to come, I think she's the senior vice president for Boeing all of their production is the expert at Boeing. I've heard one of her lectures, they're just outstanding and senior management, I can't think of her name now, but if you could get her to come in and talk to your senior management I think you would find it pretty interesting. But, it does mean you have to trust the workers, because they are the ones who really run the show under the Toyota formula.

**Mr. McKerney** – A couple of additional things that we have completed; we certainly did evaluate as recommend for potential efficiencies in our boarding policy for our Eagle Harbor staff and made sure that we were not incurring any overtime there in terms of how their boarding and what wait is incurred. We didn't find a problem there. We worked to improve communication and information exchange among different organizations and Ferries, and that work is certainly ongoing. Just one final point on this audit to make--this was discussed a bit earlier certainly. In regards to the recommendations to save money by way of cutting runs, we're certainly working with the Joint Transportation Committee on their Ferry Financing Study that's due to be completed next year. I know that that will address certainly that aspect of operations, beyond that we will certainly need to work with, as you know local communities, Ferry Advisory Committees, the Legislature and others.

**Chair O'Neal** – You are not making any recommendations on specific routes to reduce service?

**Mr. McKerney** – No not at this time.

**Commissioner Distler** – Mr. McKerney you highlighted the issues surrounding Eagle Harbor and yet as I recall the sum total of all the things here, excluding the unmentioned one, was less than a \$1 million. The big elephant in the room is the so called savings from eliminating runs. Is that not correct?

**Mr. McKerney** – That's true.

**Commissioner Distler** – Okay, does the Department have any opinion on some of the comments that I made earlier? Namely that a network where every run loses money eliminating any run will save money?

**Mr. McKerney**—That makes senses, did you....

Mr. Reinmuth – I think it's an example of one of the discussion points that we talked about earlier. It's a good debate to have, which runs get cut is a big question. It's something we struggle with weekly, it's something you struggle with when you go out and meet with the public and the Legislature and the Governor.....we would agree with your statement...the obvious point, which is

**Chair O'Neal** – We will put that in the category of a blinding glimpse of the obvious--I guess.

**Commissioner Distler** – For which the--which was a significant part of the audit findings at a significant cost. Thank you.

**Mr. Reinmuth** – That's right.

**Commissioner Ford** – This is sort of a small issue, but on the overtime, because in my career it was an issue that we dealt with all the time. At a certain level overtime actually is cheaper than having extra employees, because you don't have to double up on benefits, and you don't have idle time waiting for the emergency to arrive, so you can put those extra people to work. But, generally in every business there are some parameters, and I know we tried to budget what we called our regular expectations, where lets use maintenance as an example versus what we thought would be exceptions where we just have to have people stay on and finish the work. The first one was fairly easy because you could go through the planned maintenance manual and figure how many man hours you were going to need and what skills and all of that kind of stuff and get a pretty good number. The other one was you know you put a board up there and you threw a dart at it and hoped that it would work, but finally because it's human nature being what it is you found an erosion in this because there's some people who just love overtime, I don't know they got expensive hobbies or whatever their problem is. So it becomes their standard of living starts to turn on their regular salary plus the overtime and it's a huge challenge to keep it under control, so we put some arbitraries in there, which had its own downside. It wasn't good. The only person that could break the arbitraries was me. There was no other authority in the organization that allowed them to do it. Well, most of the time it worked, people were mad, upset, but just said no go home we're not going to do it. We'll do it in the morning. Occasionally we disrupted service because of that and a very upset customer. If the baggage carousel at SeaTac doesn't work and you are the airline, and we told the guys to go home, you have pretty upset bunch of people, because they hustle the bags up on carts instead of on the carousel. What is the policy on overtime? Is there a policy or is what the guy on the floor says I got to have?

**Mr. Reimuth** – I guess I would just jump in. Certainly we would want the Ferries Division here to talk about the specifics, but I think generally the way I've understood the overtime policy and ideas that we are trying to bring to the management of that; is we generally trust our workers to do work efficiently, but we have as many managers as everyone thinks we need to insure that the efficiencies are coming, so at some point you have emergent situations, you are not just you know preserving and maintaining the vessel that's up for a lay up because you have the luxury of a couple standby vessels. You instead have virtually no standby vessels any longer after the steel electrics were removed, and you have to get vessels

turned in real time to avoid the exact kind of service interruption, Commissioner Ford, that you talked about. So, what we are constantly balancing is; keeping an eye on our budget, keeping an eye on our service that you've described, keeping an eye on the realities that our workforce are telling us in terms of; you know we only have so many people that are expert in this piece of this trade--when should we bring somebody new on, when shouldn't we and there are guidelines that are enforced under both our collective bargaining provisions with the labor partners that we have and also just in the way that the Eagle Harbor management makes choices everyday on what should be loaded in and loaded out in terms of the work. It's discretionary to some extent though I need to say--like you said at some point it rests with you or rests with Vern out at Eagle Harbor to make a decision or the Director of the Ferry System. One final thing I want to just comment on before we move off the ferries audit, which is one of the key findings that the Ferries Division needs to be a part of WSDOT, there needs to be a more one DOT approach, and as you've heard from Paula and from other presentations, that's something that Paula has made a priority and the Governor has made a priority from Paula's first day of appointment. With David Moseley on board I can tell you we now know more about the decisions that are made at the Ferries Division in terms of things like overtime and the way the budgets are expended then we ever have and that's just because of an accountability that Paula is demanding.

**Commissioner Ford** – I guess maybe it's more of a comment than a question. It seems to me that organizations like yours and like the one I was associated with, need to set some parameter, some policies on this. Now one of the things that come out this, particularly on larger assets, if you keep your records related to those assets on the breakdowns, you discover at some point that maintenance won't do it. You've got to rebuild it--you know. If that carousel keeps going down every three weeks, even though the maintenance guys are doing the best job that they can to keep it running, it probably means that you've got some major overhaul to do on that piece. Do we know, for example, what our costs are to own the larger assets, I'm not talking about little stuff, but do we keep any kind of cost records, ownership cost as distinguished from purchasing cost or costs that you might if you depreciated assets you'd consider--do you know how many dollars of labor and materials and stuff by vessel for example that we are incurring over time, so we can see if some of those vessels are costing us more to own than a similar vessel.

**Mr. Reinmuth** – Assistant Secretary Moseley....and yes we have those, I would be happy to get those to you. For an example, when we looking at the question of whether to rehabilitate the steel electric ferries that were removed from service versus just replacing them. Those were the exact kind of by vessel analysis that we did, and we've done it fleet wide. I just don't have the numbers with me, but I would be happy to get those.

**Chair O'Neal** – Can we go forward; you've got two other areas you want to deal with--right, besides ferries.

**Mr. McKerney** – Moving to the audit of WSDOT administration and overhead. The audit offered six recommendations. We came back with 12 actions steps in response. None of those are due at this point. Ten should be done though by the end of this year, two will depend on funding or policy decisions. What I wanted to talk a little bit about what we're working on there. Some of the savings, and Chris mentioned this to some degree; some of the savings recommended will include centralizing several functions within the department. Human Resources, specifically the statewide HRMS System data entry, also payroll processing and vendor payment processing, so we are on schedule in developing our implementation plans to do that and to address how we would go about that and evaluate

what kind of savings we can achieve. A good portion of the savings, about two thirds of what is recommended in the audit will actually require a new computerized labor entry system, and so we are certainly working with OFM as part of their statewide roadmap project on that kind of system.

**Chair O'Neal** – Which items are the two dependent on funding and policy decisions?

**Mr. McKerney** – The new computerized labor system is one of the two.

**Mr. Ford** – The others would include the modification of the state payroll system, because it wouldn't just be the Department of Transportation it would be all state agencies going from 24 to 26 payrolls. The mandatory payment by electronic funds transfer would affect all employees and then there's a specific state statute that relates to the payroll delivery dates and when we have to process the actual payroll and part of it would include reducing that time. I think perhaps the statute was put in place at a time when there was more manual intervention in the payroll process, and now as we are becoming more automated I think we can do the payroll quicker, but those things would depend on the Legislature to implement.

**Chair O'Neal** – So this audit really can be helpful to you in marshalling your arguments to the state Legislature.

**Commissioner Distler** – But, Bill you have a lot more experience with audits then we do. Isn't somewhat unusual to include issues in a WSDOT audit that are dependant on changes at the state level, such as the payroll system, I find that very strange. It's not under your control, so why is it included as a possible saving?

**Chair O'Neal** – That's probably not a question for you. I think it makes sense to me. In mean, if you are doing an audit of an agency, you ought to look at all the factors that effect how that agency if functioning, whether their under the control of the agency or not.

**Commissioner Distler** – I don't agree.

**Chair O'Neal** – you know they've done the same thing with congestion, which makes sense to. I think you're looking at congestion in the state--you know look beyond what DOT does, there are a lot of other players and I think that all makes sense--personally. We can have a disagreement on that. We do have a disagreement on that...

**Commissioner Distler** – we do, because the headline says WSDOT and that's my concern.

**Mr. Ford** – and there were a number of specific recommendations that were directly dealing with the department.

**Chair O'Neal** – Any other comments on this subject?



**Commissioner Ford** – Did they look in to--you have a number of labor agreements in the department. That is, I guess strictly in the ferry service. Was that addressed, because it--you no my experience is; that it's one thing to have your regular employees, so to speak, who are not unionized and so you have a fairly neat ribbon around a kind of personnel policy for that one. But, the labor agreements present some very interesting differences. Is that addressed at all in this audit, or is it just sort out here as a separate problem.

**Mr. Ford** – The collective bargaining agreement with all of our unions were not addressed specifically in this audit. It dealt at a more global level with handling payroll, vendor payments and human resource processing.

**Commissioner Distler** – So, the devil truly is in the details!

**Mr. Ford** – Yes sir.

**Commissioner Ford** – Well, in the department--I don't know, what's your union--of your total population of employees how many are unionized?

**Mr. Ford** – I don't know off the top of my head.

**Mr. Reinmuth** – That's a good question. I know we have 14 unions that we work with at Ferries Division and probably five or six that we work with in the rest of the agency. How that breaks out in terms of percentages....we'd have to get back with you.

**Chair O'Neal** – Let's go to the next item, we're running over a little bit. First we're running into Steve Reinmuth's time, so if he doesn't mind.

**Mr. McKerney** – Well I'll move to the congestion audit. That as you know provided 22 recommendations and we are working on 36 action steps. Nine are already completed, seven will be completed by the end of 2008, four by the end of 2009, six are ongoing, and ten will depend on funding or policy decisions however. I did want to mention a few things that we have done. Of course we completed the Highway System Plan for 2007-26 published in December, provides some guidelines on prioritization of projects. We did provide presentation to the Legislature in the last session on active traffic management and what we've reviewed there in regards to that ....technique. We have some progress in terms of reducing the time clear incidents, the longer term incidents on the highway, those over 90 minutes. The department has worked with the State Patrol to meet or actually exceed the Governor's goal to reduce the length of time to clear those incidents, and we've reduced that by eight percent. We have completed a High Occupancy Vehicle action plan for I-5, including some options to improve lane speed and reliability in HOV lanes. Also, analyze some specific performance issues in regard to the HOV lanes. In regard to signal retiming we've developed a strategy for signal retiming and that's some additional work there. We have made presentations to the Legislature in regard to tolling options in the last session. Moving on we have worked with OFM on their Attainment Report, which includes at least three congestion performance measures regard to travel time, hours of delay and reliability and we certainly supported that effort, and I believe as you know publishing extensive amount of performance material in the Gray Notebook and our Congestion Report.

**Chair O'Neal** – Have you dealt with this problem of attitude about solving congestion, or is everybody pessimistic in the department. Would you want to comment on that observation by the....

**Mr. Reinmuth** – I guess you could discuss the terms pessimisms versus optimism. I think we're trying to be realists. I think we recognize we have finite resources and we're trying to make the most out of those resources, so we are working I think first to manage the system efficiently, whether it's signal retiming or the other kinds of things that are pretty obvious as long as you have the funds to do them. I think secondly we're looking at ways that you can manage demand and those are things to some extent that DOT can control. The rest of it requires really difficult decisions on congestion pricing and tolling and other kinds of things that we have, I think, been teeing up for several years and working with the Commission and with other folks to figure out when we are going to go forward. The final piece of it is when do you add capacity and that's the real hard part of the investment, because it's a big capital investment when money is fairly tight. All three of those dimensions are part of what DOT has been struggling with and I guess I would say we are not pessimistic, we are working hard on it, and we're just trying to make sure that we're making the kinds of investments that have the biggest bang for the buck. Just like the auditors...

**Commissioner Moser** – Thanks Steve. There is a very easy yes or no answer to this question. Did you concur with the auditor's findings that department does not consider reducing congestion a priority in planning transportation improvements?

**Mr. Reinmuth** – No.

**Commissioner Moser** – Thank you.

**Chair O'Neal** – So you do not with that...

**Mr. Reinmuth** – Well I think our audit response would speak for itself and there are certainly aspects of the observation that we agreed with, but I think as an overall philosophical statement it's been a priority for the department for sometime. And for the Commission and for the Legislature and we're doing everything we can.

**Commissioner Moser** – I would agree.

**Chair O'Neal** – Did we make a mistake by not putting in our Washington Transportation Plan, breaking it out and saying this is a priority.

**Mr. Reinmuth** – It's there.

**Chair O'Neal** – I agree it's there, but maybe we didn't say it explicitly and maybe that's the problem.

**Commissioner Distler** – Do you have any views as to how the auditor working closely with you could have come to a different conclusion, or not.

**Mr. Reinmuth** – I think we will do again is let the response speak for itself. I think the auditor had the really difficult task of trying to offer constructive suggestions to a problem that is really difficult, and I think they did a good job of recognizing that the department and state as a whole does a lot with congestion, uses congestion as a highway system planning

mechanism, as Commissioner Moser pointed out, and a variety of other things. I think the questions come up in--what real kinds of investments and resources are there. I think the auditors acknowledged themselves throughout the report and they are just teeing it up, I think, for a discussion that we're having today and whether or not we want to as a policy choice make different kinds of investments, and if we do we welcome that focus.

**Chair O'Neal** – Dick you had a question.

**Commissioner Ford** – Well I'm going to elude to the biggest elephant in the room it's called the Legislature and maybe the Governor fits into that equation, because she has a legislative role. Most of the priorities almost down to the colors of the nuts and bolts are set by the Legislature. In other words the projects so on. One of the gentlemen who were here said that perhaps for a billion and a half or two billion dollars over four or five years that that amount of money would offer you an opportunity to fix some of these smaller things that would improve the flow of traffic on some of these routes where we have congestion. But \$2 billion will say, let's just pick that number because it's easy for arithmetic purposes over the next four or five years is \$400 million a year, that's a penny raises or at least a raise around \$35 million, so that's like about 10 cents of the gas tax if you were going to add resources.

**Commissioner Distler** – It doesn't raise that anymore.

**Commissioner Ford** – Alright well I'm in the past as part of my weakness as an old man. The point I'm making is we would--and maybe coming from central Puget Sound another infusion over the next four or five years of \$2 billion would help us improve this. The question is--because we are seeing declining gas tax revenues, because projects are costing a lot more than we had expected, fuel itself and the cost of petroleum products is a huge increase in every phase of what we do--what you folks do in the department. Is there really any way to rearrange the spending assuming the Legislature was to sit down seriously? Is there any way within the limits without a new tax increase, is there anyway for them to rearrange the spending and solve this problem without seriously damaging other projects that are important across the state. I guess I have a hard time seeing how--if we just spent it right--we can solve the problem. To spend it right means saying well okay let's pick a little here and a little there, we'll take a little out of Richland and a little out of Spokane and some out of Vancouver and wherever, and send into central Puget Sound for congestion, so we don't have to raise taxes.

**Commissioner Stedman** – You're already doing that!

**Commissioner Ford** – Looking beyond what our current priorities seem to be based on projects and so forth is there something we could do--if you say this is one of the top priorities. If you people looked at it from your perspective. If you were a king for a day could you rearrange your spending in way that would allow us to get some of these things done, because even this audit report says it can't be done without some additional spending?

**Mr. Reinmuth** – Boy, I think we need a whole work session on that question. I think the answer is--you've certainly hit, Commissioner Ford, the struggle that the Legislature faces every time it sits down to balance the transportation budget, and that the managers of the Department of Transportation struggle with as we provide our input. I think there are clearly easier answers when additional revenue is discussed and I think the clearly a lot harder when the revenue is as constrained as it is. If we're going to do the kinds of things that the Legislature has set out for us to do, and their expectations on the project lists, there might be

some ways that you could look at relative movement of priorities and suggest that priorities that were set back in 2003 and 2005 when the gas tax increases were passed and the project list was created, maybe there is some thinking that we could there. Currently right now our focus is delivering that expectation as best we can within the resources that we have. The Legislature itself I think is probably the best to answer this question.

**Chair O'Neal** – Of course one way to help shape this is through the Washington Transportation Plan process, which is starting up, and the Legislature certainly has the final decision on how money will be spent, but this process involves citizens throughout the state and it involves this Commission and the Department of Transportation, the MPOs, regional organizations around the state and we all come together and try to come up with a quote--I don't like the word plan, but a program of some kind, and what we've heard from the State Auditor--we need to factor that in and make sure we're validate that and vetted I guess in determining whether that is something that needs to be included more carefully. Anyway, I think we're--is there anything else you need to say, we're getting past our...

**Mr. McKerney** – We have just a couple other points and we can wrap it up. Next on our highway maintenance and construction audit provided us 34 recommendations and in response we're working on 60 action steps. Eleven are done, 18 will be done by the end of this year, 4 by the end of next year, 23 are ongoing and 4 are dependant on funding or policy decisions.

**Chair O'Neal** – I always want to know what those are – those policy decision things that you're..

**Mr. Ford** – Well a good example of that one--is a integrated purchasing and inventory system, which is an automated.

**Chair O'Neal** – It compares the purchase of computer equipment.

**Mr. Ford** – Exactly.

**Mr. McKerney** – And some of that is funding for maintenance and preservation and how we can balance our budget requests. In terms of some of the things that we have done; our project management reporting system, we are continuing to work on that, and we submitted a work plan for full implementation to the Legislature and OFM. We have deployed a new system regarding change orders to categorize and standardize change orders continuing to look for efficiencies there and change orders on our construction projects. We've made some changes in regards to purchasing and inventory procedures; a portion of the audit certainly focused there. We've surveyed our seven regions for inventory procedures looking for best practices then we'll continue to work on and implement throughout. Our purchasing and materials manager in Olympia serves now as the agencies certification and training registrar. We are working toward having basically two professionally trained and certified supply officers in each region, making sure those folks are members of relevant professional organizations and that's some of the growing of expertise that was recommended in the audit. The purchasing and materials management office has also assessed our Q or quantity contract award process looking for ways to insure good competition and good award and contract processes there. We've dealt with things like used materials and made sure that as those are returned yard they're input into the consumable system we can make the most efficient use and redistribution of those as possible. We've evaluated moving on here; electronic bidding opportunities as part of our construction contract award process and that's just ....in our large

picture of ways continue to ensure good competition when we let those contracts. Lastly we continue to monitor what was recommended here as that we continue to work with warm-mix asphalt or rather monitors the use of that material as that's being considered and developed. Our state material engineer continues to participate on a national technical working group looking at how that can be used in our paving projects and is involved in setting up an international conference. We have a couple of potential test projects using that material. It's a way to hopefully reduce costs in the future. We have on test project in our North central region and are looking for some west of the Cascades for next year. I thought I would wrap up with--depending how much time we have at least this summary slide. We had 72 recommendations in total for all four audits, 132 action steps we've committed to. As Bill mentioned when you combine what we've done, what will be done by the end of this year, and what is ongoing, that will include 80 percent of the total commitments. So, we are committed to addressing these recommendations. We're putting a lot time and effort into this and we are doing well.

**Chair O'Neal** – I don't want to extend this for any long except I just--when you measure 80 percent are you doing 80 percent of the total number of recommendations or are you measuring 80 percent by the amount of money that would be saved, or are you – how do you come to that?

**Mr. McKerney** – It's the total number of action steps or commitments that we've made in response.

**Chair O'Neal** – So the little ones count as much as the big ones.

**Mr. McKerney** – In that number--that's right.

**Mr. Reinmuth** – Just for the Commission's sake and for anyone else who might be interested we report regularly internally to DOT to make sure we are track and that there's a reason that one of the recommendations may not be getting as much attention that we know why. We also report out to the Governor's Office through the GMAP process, so if anyone went to the Governor's website and looked at GMAP you would see our regular report on where these are going forward from today.

**Commissioner Ford** – Dan, if I could just – I think we ought to point out that these auditor's recommendations as this report shows are not being ignored, they are being worked on, but probably the biggest savings might require, at least many of the larger savings items, might require additional investment to get those savings. I think that's a fair statement as I look at these, but if you disagree, if most of the savings is real easy to do and we don't need much money then hopefully those are getting done.

**Mr. McKerney** – Absolutely, you made a fair statement that many many of the recommendations will require additional investment.

**Commissioner Distler** – Was I wrong to assume that the project management system was previously attended to. I thought this was old news. Maybe I'm wrong, because we talked about this at the time of Initiative 912 and the whole implementation of the TPA, Transportation Partnership Act. I'm surprised to see that it's still sort of a work in progress, or I might characterize it as work sort of not in progress.

**Mr. Ford** – If I understand your question, the project management reporting system..

**Commissioner Distler** – Well not only reporting, but tracking as well.

**Mr. Ford** – Right, has been discussed for quite some time. I would certainly concur that, but we actually engaged in implementing it..

**Commissioner Distler**-.....forward on it.

**Mr. Ford** – We have and now we're actually implementing the decision package. This last biennium we've been--current biennium we been actively involved in implementing that system.

**Chair O'Neal** – I was under the impression that it's partially depended upon funding and development of a higher level computer system and that's one reason that you're not as far along as everybody would hope.

**Mr. Ford** – We actually have received the funding for this phase and actually on the 10<sup>th</sup> of July we appeared before the Information Services Board, which is the state oversight group on all IT projects and they approved us to proceed with our project schedule, scope, budget and so on. Yes we are working on it and it is moving ahead.

**Commissioner Distler** – Thank you.

**Mr. McKerney** – If I could make just one last point. There are a couple of slides on lessons learned in the handout. In the interest of time we are happy let read through those on your own and feel free to ask us afterwards if you have any questions we would be happy to provide.

**Mr. Distler** – Only five audits going on at one time?

**Mr. McKerney** – It was a bit of a crash course.

**Chair O'Neal** – Okay, well thank you very much. I think it's been a very useful discussion from my standpoint anyway and I appreciate your coming forward and giving us your report on what--how you saw it from your end--this audit done by the State Auditor.

**End of verbatim.**

Please visit the Washington State Auditor's website to view each of the four audit reports:  
[http://www.sao.wa.gov/PerformanceAudit/PDFDocuments/PA\\_Summary\\_Results.pdf](http://www.sao.wa.gov/PerformanceAudit/PDFDocuments/PA_Summary_Results.pdf)

## **SECRETARY'S REPORT**

Steve Reinmuth, Chief of Staff, WSDOT, shared several of the current issues that the Department is focusing on such as wildfires, Ferries Division outreach efforts, ferry procurement and construction schedule, the Urban Partnership Grant and the decline in gas tax revenues. He briefly commented on the one--year anniversary event of the Tacoma Narrows Bridge as well as providing a status report on the eBay listing of the steel electric ferries.

## **RESOLUTION HONORING COMMISSIONER STEDMAN**

Chair O'Neal presented Commissioner Stedman with Resolution No. 690 recognizing his service and contributions to the State of Washington and the Transportation Commission. Commissioner Stedman thanked the Commission for allowing him the honor of being a Transportation Commissioner.

## **UPDATE ON COLUMBIA RIVER CROSSING PROJECT**

Don Wagner, Regional Administrator, Southwest Region, WSDOT, provided an overview of the project's background and purpose. He indicated that this is a bridge, transit and highway improvement all in one project aimed at improving travel efficiency and safety on Interstate 5. The entire project covers a five--mile stretch of Interstate 5 from SR 500 in Washington to Delta Park/Columbia Boulevard in Oregon.

The project is being lead by the Oregon Department of Transportation, the Washington State Department of Transportation and the U.S. Department of Transportation along with the Federal Highway Administration and Federal Transit Administration. Local project partners include the City of Vancouver, City of Portland, Metro, Regional Transportation Council, C-Tran and TriMet.

The project seeks to address growing congestion, impaired freight mobility, diminished transit reliability, high accident rates, inadequate pedestrian and bicycle facilities and the potential for earthquake damage. Project benefits include safer travel, more commuter choices and better freight mobility. He provided an overview of the locally preferred alternative replacement bridge, associated cost as well as possible tolling scenarios under consideration and potential funding options.

## **YAKAMA NATION TRIBAL TRANSIT BRIEFING**

Madelyn Carlson, CEO, People for People, Elizabeth Mares, Tribal Transit Manager, Yakama Nation. Miss Carlson explained that People for People is a non-profit organization that has been around for 43 years. Its mission is to improve mobility conditions within the community. The Yakama Nation has come together in a partnership with WSDOT for 26 years to secure state and federal dollars to provide limited special needs transportation in the area. The Yakama Nation reservation is not receiving enough access for the people to get education and meet their health care needs. The Federal Transit Administration (FTA) authorized under SAFETEA-LU public transportation on Indian reservations. This allows tribal entities to apply for funds that are specifically set aside for tribes. With the assistance of WSDOT and the FTA People for People was able to put together an exceptional grant application. It was the number one grant awarded for a "new start" in the nation. The first year the Yakama Nation was awarded over \$490 thousand. In the second year the award was

\$400 thousand. Currently a third year grant application funding is currently in process. Partnering with People for People the Yakama Nation was able to meet their needs. The new services have made it possible for people to meet their needs and improve their lives.

Ms. Mares explained that her position as a mobility coordinator was created through a WSDOT grant award. Her position works with reservation citizens assisting them with information on how to access transit services, as well as coordinate transportation services and resources.

### **JUNE QUARTERLY TRANSPORTATION REVENUE FORECAST**

Doug Vaughn, Director, Budget and Financial Analysis and Eric Meale, Assistant Director, Economic Analysis, WSDOT, provided a summary of the June 2008 transportation revenue forecast. The June motor fuel tax forecast is projected to be 2.1 percent lower in the current biennium when compared to the forecast prepared in February. This translates to nearly a \$55 million decrease in the current 2-year budget period for revenue from the motor fuel taxes. There is also a decrease in revenue from licenses, permits and fees in the current biennium. WSF ridership demand forecasts reflect lower ridership demand over the forecast horizon due to downward revisions to real personal income and an upward revision to real gasoline prices. Toll revenues for the Tacoma Narrows Bridge are lower than projected in the February forecast. Aeronautics, rental car, vehicle sales, driver licenses and other related fees have also decreased as compared to the February forecast.

Commissioners and Mr. Vaughn discussed potential issues with the forecast numbers. Mr. Vaughn explained that this will result in significant impacts. The Department is looking at options to address the impact. He commented briefly on the Tacoma Narrows Bridge revenue adjustment based on future loss of revenue generated by transponder sales.

### **PUBLIC COMMENT PERIOD**

No public available for comment.

### **LONG-TERM FERRY FUNDING STUDY WORK SESSION**

Steve Pickrell, PE, Principal and Senior vice President, Cambridge Systematics, reminded the Commission that the Ferry Funding Study is one of several studies occurring concurrently. When put together these studies will provide a long-range plan for the ferry system funding needs and ultimately a budget. A long list of potential funding sources has been looked at, as well as the general nature of the ferry systems financial problems. Other studies are looking at more detail on what it will take to put the system back in order and to sustain future operations. Future presentations will provide a look ahead to results, findings and delivery of a draft funding plan in November, with a final report delivered to the Commission in January.

For further detail please view this presentation at:

[http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15\\_BP9\\_LTFerryFundingStudy.pdf](http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15_BP9_LTFerryFundingStudy.pdf)

Commissioners and Mr. Pickrell held discussion regarding revenue loss and potential future funding options in detail. The Commission discussed the possibility of continuing the funding option discussion at its September meetings in Bremerton and Friday Harbor.



## **PLANNING FOR FREIGHT IN THE CENTRAL PUGET SOUND REGION**

Sean Ardussi, Associate Planner, Transportation Planning, Puget Sound Regional Council, provided a briefing on how PSRC is handling freight in its transportation plan. He explained that the Puget Sound region has a great deal of freight movement that covers all the main recognized modes of freight transportation (marine, rail, trucking and air cargo). Combined these modes represent the main freight operators which comprise the logistics system.

Washington is a global gateway and is often referred to as the most trade dependant state with roughly one third of all jobs being directly/indirectly related to trade. Washington's regional economies rely on the freight system to deliver goods. More than 70 percent of all Puget Sound international cargo leaves by rail. The Ports of Seattle and Tacoma combined make it the 3<sup>rd</sup> largest container port in the nation with a growth projection to 6.9 m TEU. Total rail system freight tonnage in the state is expected to increase by 60 percent by 2025 causing rail lines to operate at or above practical capacity. He wrapped up the presentation with a high clipped overview of freight transportation modes and related data analysis. To view this presentation in its entirety please visit:

[http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15\\_BP10\\_PlanningForFreightCentralPS.pdf](http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15_BP10_PlanningForFreightCentralPS.pdf)

## **FREIGHT CLASSIFICATION CRITERIA DEVELOPMENT**

Elizabeth Stratton, Freight Policy and Project Manager, Freight Systems Division, WSDOT, explained that today's presentation will contain a draft Freight Corridor Classification Criteria. When this plan is fully implemented it will identify the state's most important freight corridors and performance problems. It will also prioritize freight corridors by their ability to support state and regional economies; give local, regional and state transportation agencies useful information about all of the state's freight corridors, and produce weighted "Freight Value" factors that can be used with existing evaluation processes or as a stand alone when considering improvements to facilities. Washington needs a strategic plan for freight systems to; balance the cost of investments with resulting economic output; direct limited resources to their most productive use and set clear priorities linked to the growth of jobs and the states' economy.

## **PUGET SOUND REGIONAL COUNCIL (PSRC) TRAFFIC CHOICES STUDY FINAL REPORT**

Aubrey Davis and Matthew Kitchen, Principal Planner, Transportation Planning, Puget Sound Regional Council, presented the final report of the Traffic Choices Study. Mr. Davis opened the presentation explaining that PSRC began looking at long-term transportation funding issues in the Puget Sound in 1995. A project moved forward that involved 275+ households and 400+ vehicles to participate in a road user choice study. The experiment through a GPS based tolling system collected data that provided useful road management data.

In conclusion it was observed that the response to tolls by drivers suggests there is a dramatic opportunity to significantly reduce traffic congestion and raise revenues for investment. Not all aspects of a road network tolling system have been fully demonstrated yet, but the core technology for satellite based toll systems is mature and reliable. A large-scale U.S. deployment of a GPS based road tolling program will depend on proven systems, a viable

business model, and public acceptance of underlying concepts. This presentation can be found at:

[http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15\\_BP12\\_FindingsFromRoadPricingExperiment.pdf](http://wstc.wa.gov/AgendasMinutes/agendas/2008/July15/July15_BP12_FindingsFromRoadPricingExperiment.pdf)

Commissioner's questioned how local officials reacted to the experiment.

Mr. Kitchen responded that the intent of the experiment was not to get a reaction but to gain information and knowledge about use fees that differentiate between time of day and location. Mr. Davis explained that a Pricing Task Force has been established to take a closer look at pricing strategies.

### **NAMING THE 172<sup>ND</sup> STREET I-5 OVERPASS AFTER OLIVER "PUNKS" SMITH**

Representative Kirk Pearson, 39<sup>th</sup> District, introduced Mrs. Emily Smith and identified supporters of this naming. He emphasized that this naming is to honor Mr. Smith's dedication and service to his community. This naming is supported by House Joint Memorial 4030 as well as many in the local community.

Mr. Don Williams, citizen, explained that his comments today are not related specifically to this naming, but to the Commission's naming policy. He expressed that facility naming should have widespread community support and he does not see that in this naming. He requested that the resolution be put on hold and widespread community support should be gained prior to this naming. The Commission needs to improve its public process allowing citizens time to respond to facility naming.

*It was moved by Commissioner Ford and seconded by Commissioner Moser to approve Resolution 690 – Naming the 172<sup>nd</sup> Street (Smokey Point) Overpass of Interstate 5 in Arlington after Oliver "Punks" Smith. The motion passed unanimously.*

Commissioner Stedman requested that the Commission place its Facility Naming Policy on a future agenda for review.

Jennifer Ziegler, Governor's Office and Commissioners indicated that Mr. Smith's work within the community as a civic leader, especially on this project, should be memorialized.

### **LATS UPDATE AND OVERVIEW OF DRAFT AIR TRANSPORTATION SYSTEM POLICIES**

Commissioner Moser, Chair of the Aviation Planning Council, explained that the Council has been working on developing policies to determine what the state's overall role is in the aviation system as directed by the Legislature. She encouraged the Commission to discuss and provide feedback on these draft policies.

John Sibold, Director, Aviation Division, WSDOT, provided a brief overview of Phases I and II of the LATS Study. Phase III began in July 2007 with a focus on how to meet commercial and general aviation capacity needs in the state. Primary focus has been on reviewing LATS data, statewide system information and developing a list of system-wide issues and challenges based on the data. Two subcommittees are currently working on policy development for Land use/environment and capacity/new technology, as well as other policy areas of safety, mobility, access, stewardship, preservation and economy. After receiving

public input the Aviation Planning Council will deliver its recommendations to Governor Gregoire by July 2009.

Mr. Sibold stepped the Commission through each of the draft policies noting their concerns and suggestions specific to each of the policies.

### **OVERVIEW OF BIKE/PEDESTRIAN MODAL PLAN**

Paula Reeves, Community Design Assistance Manager, Highways and Local Programs Division, WSDOT, explained that the key accomplishment of the plan is to set a statewide goal of decreasing fatal/injury collisions involving pedestrians and bicyclists by five percent per year for the next 20 years, and doubling at the same time the amount of biking and walking. This goal is consistent with recent climate change discussions and Target Zero. If this goal were accomplished it would decrease fatal/injury collisions from 400 each to around 150. Data collected indicates that the plan's primary focus should be bicycle/pedestrian improvements in urban areas. In addition to the safety need the mobility need is greater in urban areas. A majority of cities and counties, 80 percent, have current plans that include bicycling and walking policies, projects and programs. However, full implementation of bicycle and pedestrian plans is a challenge for local and state governments due to limited funding for these types of projects.

Generally Washington residents are supportive of bicycling/walking, but believe that safety and mobility conditions need improvement. Some of these improvements would include; more pedestrian facilities such as sidewalks, paths, lighted areas, crosswalks, safe signals and safe intersections and enforcement of traffic laws. There is a high demand for WSDOT grants for these programs and not enough funds to meet program needs. Other funding sources include; the Small City Sidewalk Program (TIB), Washington Scenic Byways (WSDOT) and School zone Safety Program (WTSC), Washington Wildlife and Recreation Program and Bicycle registrations (Cities and towns do not currently collect these fees due to excessive administrative fees).

She explained that in addition to establishing a goal, the plan proposes a set of guiding bicycle and pedestrian policies and performance measures. It also establishes objectives and performance measures in each of the state's five transportation policy areas.

- Preservation (2-5 year implementation)
- Safety (2-5 year implementation)
- Mobility (5-10 year implementation)
- Environment (5-15 year implementation)
- Stewardship 10-20 year implementation)

The plan recommends that WSDOT increase coordination with local agencies, transit providers, and developers to identify additional funding for projects not yet in design or construction. Additional resources would enable WSDOT, in some cases, to develop projects with added bicycle and pedestrian safety and mobility elements.

### **COMMISSION BUSINESS**

*It was moved by Commissioner Ford and seconded by Commissioner Forner to approve*

***the 2009-11 Budget Decision Package.***

Reema Griffith, Executive Director, WSTC, explained that the Commission must authorize the Budget Subcommittee to approve the final document prior to submittal to the Office of Financial Management.

***Commissioner Ford accepted amendment to motion authorizing the Budget Subcommittee to approve the final submittal package.***

Ms. Griffith provided an overview of the budget decision package materials that will be submitted.

***The motion passed unanimously.***

Ms. Griffith presented Commission E-Discovery and preservation of Potential Evidence policy and procedure (11) for review and approval.

Scott Lockwood, Assistant Attorney General, provided an overview of the Policy and Procedure (11). He explained that the purpose of the policy is to avoid issues with an electronic discovery request in the event of potential litigation.

***It was moved by Commissioner Parker and seconded by Commissioner Ford to adopt the E-Discovery and Preservation of Potential Evidence policy and procedure (11). The motion passed unanimously.***

Paul Parker, Senior Policy Analyst, WSTC, explained that the Commission has identified that the state needs to be spending more money on preservation and maintenance, ferry funding solutions, public transportation needs, city streets and county roads, safety related issues and as well there is the need for funding to meet climate change and greenhouse gas reduction goals. These are some of the topics that the Commission may consider addressing in its 2008 Annual Report. He presented a draft report outline for Commissioner's to review.

The Commission meeting adjourned at 5 p.m., on July 16, 2008.

**WASHINGTON STATE TRANSPORTATION COMMISSION**

\_\_\_\_\_  
DAN O'NEAL, Chair

\_\_\_\_\_  
ELMIRA FORNER, Vice-Chair

\_\_\_\_\_  
PHILIP PARKER, Member

\_\_\_\_\_  
CAROL MOSER, Member

\_\_\_\_\_  
DICK FORD, Member

\_\_\_\_\_  
ROBERT S. DISTLER, Member

\_\_\_\_\_  
DALE STEDMAN, Member

\_\_\_\_\_  
PAULA HAMMOND, Ex-Officio Member  
Secretary of Transportation

\_\_\_\_\_  
JENNIFER ZIEGLER, Governor's Office

ATTEST:

\_\_\_\_\_  
REEMA GRIFFITH, Executive Director

\_\_\_\_\_  
DATE OF APPROVAL